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LEGISLATIVE HISTORY

Public Law 890--80th Congress

Chapter 818--2d Stssion

H. R. 6096

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DIGEST OF PUBLIC LAW 890

ALCOHOL; RESEARCH. Authorizes the transfer from RFC and WAA to this Department of the alcohol plants at Muscatine (Iowa), Kansas City (Mo.), and Omaha (Neb.), for the purpose of assuring their operation for the production of products from agricultural commodities as a means of utilizing surplus commodities, for research, and to assist in the production of an adequate supply of alcohol; and authorizes the Department to operate the plants or to provide for their operation by lease or other arrangement.

Index and Summary of History on H. R. 6096.

January 16, 1948	Hearings: H. R. 6096.
February 9, 1948	S. 2142 was introduced by Senator Capper and was referred to the Senate Committee on Agriculture and Forestry. Print of the bill as introduced. (Companion bill).
February 16, 1948	H. R. 5398 was introduced by Rep. Johnson and was referred to the House Comm. on Agric. Print of the bill as introduced. (Similar bill). Remarks of the author.
February 20, 1948	Senate Committee reported S. 2142 with amendments. Senate Report 898. Print of the bill as reported.
February 25, 1948	S. 2142 was passed over in the Senate.
March 15, 1948	S. 2142 was passed over in the Senate.
March 29, 1948	S. 2142 was passed over in the Senate.
April 1, 1948	H. R. 6096 was introduced by Rep. Johnson and was referred to the House Comm. on Agric. Print of the bill as introduced.
April 6, 1948	House Committee reported H. R. 6096 with amendments. House Report 1659. Print of the bill as reported.
May 17, 1948	House Rules Committee reported H. Res. 597 for the consideration of H. R. 6096. Print of the Resolution.
May 26, 1948	House debated and passed H. R. 6096 with amendments.
May 27, 1948	H. R. 6096 was referred to the Senate Committee on Agric. and Forestry. Print of the bill as referred.
June 1, 1948	S. 2142 was passed over in the Senate.
June 7, 1948	Senate Committee reported H. R. 6096 without amendment. Senate Report 1518. Print of the bill as reported. Print of amendment proposed by Senator Wilson to H. R. 6096.
June 18, 1948	House debated and passed H. R. 6096 as reported.
July 2, 1948	Approved. Public Law 890.

Please return to

Division of Legislative Reports

Office of Budget and Finance

DISPOSAL OF GOVERNMENT-OWNED ALCOHOL PLANTS

HEARINGS

BEFORE

THE COMMITTEE ON AGRICULTURE

HOUSE OF REPRESENTATIVES

EIGHTIETH CONGRESS

SECOND SESSION

JANUARY 16 AND FEBRUARY 28, 1948

(H. R. 6096 reported)

Printed for the use of the Committee on Agriculture



UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1948

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DISPOSAL OF GOVERNMENT-OWNED ALCOHOL PLANTS

FRIDAY, JANUARY 16, 1948

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

The CHAIRMAN. The committee will now proceed to a consideration of the questions involved in connection with the disposition of the Government-owned alcohol plants at Kansas City and Omaha.

By way of a preliminary statement for the benefit of some of the members of the committee who might not have been present the other day, the Chair on December 24 wrote a letter to the Administrator of the War Assets Administration asking if the disposition of these two plants might be temporarily held up until the committee could give some consideration to the question of whether the plants should be held by the United States Government for some time in the future for the purpose of determining whether or not they were needed to make alcohol from agricultural products.

The Chair has a letter from the Administrator of War Assets Administration, Mr. Larson advising him of the situation with respect to the disposition of these two plants.

It happens that in the case of the plant at Kansas City the 60-day period within which the War Assets Administration must accept or reject the bids will expire on the 18th of January.

It is my understanding that the War Assets Administration has what it considers a good offer for that plant.

Since it is not the desire of this committee to do anything which would hold up the matter or put the War Assets Administration in a disadvantageous position with regard to these bids we are having this hearing today.

We are interjecting it into the hearings that we are holding on the long-range program in order that we may have the facts and perhaps make some determination before the 18th, as to what position the committee desires to take on the disposition of this particular plant.

In the case of the Omaha plant, the time element does not enter into the matter to the extent that it does in the Kansas City plant.

Mr. ANDRESEN. Is that January 18, Mr. Chairman?

The CHAIRMAN. Yes, next Sunday. I have asked the Administrator of the War Assets Administration to appear before the committee today and I have also requested the Department of Agriculture to send a representative here to discuss its position in connection with the use and disposition of these plants. There are also present representatives of the group which has been operating the Omaha plant.

I believe that in the interest of orderly procedure we should hear first from Mr. Jeff Larson, the Administrator of the War Assets Administration, or anyone whom he may wish to designate from his organization to tell us just what the situation is with respect to these two plants.

Mr. Larson.

STATEMENT OF MR. JEFF LARSON, ADMINISTRATOR, WAR ASSETS ADMINISTRATION

Mr. LARSON. I would like to introduce at this time and have up with me Mr. Hamill.

My name is Jeff Larson. I am the Administrator of the War Assets Administration. There has been at this moment distributed to the committee, not exactly a statement, but a résumé of the situation existing within the War Assets Administration relative to the major war-built alcohol plants as of January 13, 1948.

There is also attached in table 2 of this résumé the status of some 30 scrambled facilities, alcohol and feedstuff recovery facilities, both buildings and equipment.

By scrambled I mean those cases wherein the Government in facilitating the production of alcohol from grain during the war, and feedstuff recovery, invested certain moneys and put in certain machinery into privately owned plants.

There is also attached to this résumé some large sheets which are not numbered but which are entitled "Abstract of Proposals." This is a table outlining the proposals received on our offer to sell the National Distillers Products plants at Kansas City, known as plant No. 1642, and likewise on the farm crops processing plant, known as plant No. 1608, located at Omaha, Nebr.

I will not read this résumé unless the committee so desires.

I might brief it insofar as the status of the plant at Kansas City is concerned, and the plant at Omaha.

The CHAIRMAN. Well, suppose we must make the abstract a part of the record and you go ahead and brief the matter as far as it affects those two plants.

(The abstracts referred to are as follows:)

Abstract of proposals

NATIONAL DISTILLER'S PRODUCTS CORPORATION (ALCOHOL PLANT)

Project identification: Plancor 1642, WAA No. R-MO-46, Kansas City, Mo.

Date of proposal opening: Nov 19, 1947.

Acquisition cost: \$4,098,088 (actual cost from RFC engineer's report and monthly status reports).

Bid No.-----	(1)	(2)	(3)
Name and address of bidder.	Schenley Distillers Corp., 350 Fifth Ave., New York 1, N. Y.	Schenley Distilling Corp., 350 Fifth Ave., New York 1, N. Y.	Schenley Distilling Corp., 350 Fifth Ave., New York 1, N. Y.
Amount of proposal.	By lease for 2 years. Minimum rental \$150,000 a year.	By lease for 2 years. Rent on gallonage basis without any guaranty of a minimum rental.	Purchase of land, buildings, machinery, and equipment in place as described in invitation to bid for \$1,701,879.99.
Proposed use-----	Distilling grain neutral spirits for blending and other beverages. By-products suitable for cattle feeding will be produced.	Distilling grain neutral spirits for blending and other beverage uses.	Distilling grain neutral spirits for blending and other beverage uses.
Brief résumé of terms.	Rental 5 cents per wine gallon of 190 proof produced each month with a minimum rental of \$12,500 a month) \$150,000 a year.) No operation until termination present cessation in beverage distilling at request of Citizens Food Committee.	Rental 8 cents per wine gallon of 190 proof produced each month without any guaranty of a minimum monthly or yearly rental. No operation until termination of present cessation in beverage distilling at request of Citizens Food Committee.	\$1,701,879.99 payable in cash on closing of the contract. No operation until termination of present cessation in beverage distilling at request of Citizens Food Committee.

Abstract of proposals—Continued

NATIONAL DISTILLER'S PRODUCTS CORPORATION (ALCOHOL PLANT)—Continued

Bid No.-----	(4)	(5)	(6)
Name and address of bidder.	Consolidated Products Co., Inc., 15 Park Row, New York 7, N. Y.	United Distillers of America, Inc., 350 Fifth Ave., New York 1, N. Y.	National Distillers Products Corp., 120 Broadway, New York 5, N. Y.
Amount of proposal.	Land and buildings..... \$45,300 Machinery and equipment..... 106,526 Total..... 151,826	By lease for 2 years, option for year-to-year renewal for 3 years. \$50,000 per year minimum guaranty payable monthly.	By lease for 2 years, to maintain facilities in reasonable condition, payment of taxes and insurance at a cost not to exceed \$120,000 for 2 years, plus a nominal rental of \$10 per year.
Proposed use-----	Endeavor to dispose of to another industry adapted to buildings and equipment.	Production of alcohol solvents or related chemicals.	Production of beverage spirits and stock food.
Brief résumé of terms.	\$151,826 payable in cash on closing.	Rental based on 1 cent per wine gallon of alcohol production with a minimum of \$50,000 per year payable monthly.	Purpose to maintain plant in a stand-by condition at a cost not to exceed \$60,000 per year. Pay a guaranteed rental of \$10 per year plus a rental to be mutually agreed upon when plant is in operation.
Bid No.-----	(7)	(8)	(9)
Name and address of bidder.	Brown-Strauss Corp., P. O. Box 78, Kansas City 10, Mo.	Midwest Research Institute, 4049 Pennsylvania, Kansas City 2, Mo.	Samuel B. Avrach, 6719 Bouvier St., Philadelphia 26, Pa.
Amount of proposal.	Land, buildings, machinery, and equipment in place, \$218,000.	Government to finance operation and stock pile alcohol for national defense plant to be operated at 50 percent of capacity.	Lease plant, with option to purchase. Lease period or a purchase price offer not mentioned.
Proposed use-----	Manufacture of food products to be determined.	Research in the production of industrial alcohol, synthetic rubber, and fuels for rockets, guided missiles, and gun powder.	
Brief résumé of terms.	\$218,000 to be paid on closing.	Government to finance a plant operation of 50 percent capacity. Stock pile production for national defense. Pay Midwest Research Institute 5 cents over cost for each gallon produced. This 5 cents per gallon payment to be used to finance research.	"Operate plant on a 50-50 basis with Government. Government to share above-mentioned share of profit. Government to take rental out of my share of profits at the end of the year at the rate of 2½ percent of total profit accrued to me."

Abstract of proposals—Continued

FARM CROPS PROCESSING CORPORATION

Project identification: Plancor 1608, RR-Nebr-5, Omaha, Nebr.
 Date of proposal opening: Dec. 17, 1947. WAA disposal No. Z4-PID-7.
 Acquisition cost: \$6,805,500.

Bid No.-----	(1)	(2)	(3)
Name and address of bidder.	National Distillers Products Corp., New York.	Farm Crops Processing Corp., Omaha, Nebr.	Farm Crops Processing Corp., Omaha, Nebr.
Amount of proposal.	\$3,210,000-----	\$500,000 plus payments for 5 years of 4 cents per wine gallon of 190 proof beverage alcohol produced, and 1 cent per wine gallon of 190 proof industrial alcohol produced.	Lease. No minimum amount.
Proposed use-----	Manufacture of alcohol, distilled spirits, and by-products.	-----	Distillery and byproducts.
Brief résumé of terms.	20 percent down payment. Balance in equal annual installments for a period of 5 years with interest at 4 percent per annum.	Terms: \$500,000 cash on closing plus semiannual payments for 5 years of 4 cents per wine gallon of beverage alcohol produced and 1 cent per wine gallon of industrial alcohol produced.	Rental as follows: 4 cents per wine gallon of 190 proof beverage alcohol produced and 1 cent per wine gallon of industrial alcohol produced payable quarterly for a term of 10 years. Lease subject to cancellation by either party after first year upon 90 days' notice.
Bid No.-----	(4)	(5)	(6)
Name and address of bidder.	Agricultural Research Foundation, Inc., Omaha, Nebr.	Western Distilling Co., Chicago, Ill.	Reconstruction Finance Corporation, Omaha, Nebr.
Amount of proposal.	1 dollar per year; 5-year lease.	Lease for period of 2 years.	Fair value, \$3,633,200.
Proposed use-----	Research for development of agricultural products.	Manufacture alcohol and byproducts.	Resale to small business.
Brief résumé of terms.	10 percent of net earnings to be allocated as rental fund, one-half of this fund to be used for maintenance; the remaining one-half of the fund to be paid to the Government as rent. Payable annually for a period of 5 years.	Rental for a period of 2 years of 10.1 cent per wine gallon of 190 proof ethyl alcohol produced payable on or before the 15th of the month following the date of production with option to purchase for \$2,500,000 plus interest at 4 percent per annum from start of lease to date of purchase.	Bid by letter, price being the fair value when determined and proposal subject to withdrawal if the applicant is unwilling to pay the fair value.

Mr. LARSON. Thank you, Mr. Chairman.

Plant No. 1642, the Kansas City plant, cost the Government approximately \$4,098,000. Our appraisal division having made an appraisal since this property was declared surplus to the War Assets Administration on June 12, 1947, has made an appraisal and determined that the present fair value of this plant is approximately \$2,179,000.

I am taking this information from table 1.

Mr. FLANNAGAN. I do not see your appraisal on the table.

Mr. LARSON. Well, there are three mimeographed sheets in this résumé entitled "Alcohol Plants and Facilities, January 13, 1948." The fourth page is table 1.

Mr. FLANNAGAN. I have it here.

Mr. LARSON. You will note that the capacity of that plant is 15,000,000 gallons of grain alcohol, or alcohol produced from grain, and 54,000 tons of feed.

Mr. ANDRESEN. Which is that?

Mr. LARSON. That is the Kansas City plant.

Mr. ANDRESEN. You say 15,000,000 gallons of alcohol but the table gives 15,000 here.

Mr. BLAISDELL. That is in terms of three zero's.

Mr. ANDRESEN. I see now.

Mr. LARSON. That is rated capacity. I refer to that because we presented that same information to the Sentae committee day before yesterday and there were some questions about the capacity of the plant.

We started advertising this plant for sale in October of 1947 with a cut-off date of November 19, 1947.

The CHAIRMAN. Let me interrupt you there to ask what Government agency declared these plants were surplus?

Mr. LARSON. Well, the plants were declared surplus to the War Assets Administration by the Reconstruction Finance Corporation which had financed the building of the plant and which was considered the owning agency.

What is known as the sponsoring agency was the Department of Agriculture in this case.

In January of 1947, as a result of the negotiations between the Reconstruction Finance Corporation and the Department of Agriculture, that Department consented to the termination of the lease agreements.

Under the requirements of the Surplus Property Act, if the Reconstruction Finance Corporation deemed this property, as in the case of any other property, surplus to their needs and responsibilities, then it was the duty of RFC to declare it to the disposal agency, which is War Assets Administration.

It is likewise our duty to proceed to dispose of it in the normal manner.

The CHAIRMAN. What has been the situation at the Kansas City plant with reference to operation since it was declared surplus?

Mr. LARSON. This plant has been shut down since June. It has not been in production since June of this year—that is, June of 1947.

Now, as a result of this offering we received those proposals, which are indicated on the first large sheet of this résumé titled "Abstract of proposals." You will note on the first sheet and the second sheet there are enumerated nine proposals, which constitute the nine separate offers to purchase under varying terms, this plant, which were filed with us in accordance with our offering on November 17, 1947.

You will note that some of these are offers to lease and some of them are offers to purchase.

That was the manner in which the plant was offered for sale. Bidders could either bid a lease or a straight-out purchase, or a lease with an option to purchase. I think the committee would be interested in what the War Assets Administration has done by way of attempting to ascertain where this plant fitted into the economy of the country and how that influenced our offering.

Of course, as I have indicated to you, the sponsoring agency, the Department of Agriculture, have more details on what transpired in their sponsorship of the plant than I have and they are here to testify so I will not get into that field.

After the plant came to us, Mr. Hamill, who is here on my right, and Mr. Gumbel and Mr. Blaisdell and other members of our staff whose duty it is to make such surveys determined that it would be to the best interest of the economy to so offer this plant that it would be continued in operation for the purpose for which it was built, that is the production of alcohol from grain.

Of course, you gentlemen will appreciate at the same time under the objectives of the Surplus Act it is our responsibility to sell a property for as much as it will return to the Treasury of the United States, along with a number of other considerations.

So in offering this or any other property it is our policy to offer it with the least possible strings attached, so to speak.

It is our policy to offer industrial plants which we determined should be, if possible, maintained in the use for which they were built, to require that use and to encourage that use by prohibiting resale for a period of 2 years.

Another reason for such a 2-year limitation is in order to comply with that objective of the act which requires us to discourage speculation.

This plant was offered, as are all of our industrial plants, with that 2-year limitation. Likewise Mr. Hamill and others of the staff of the War Assets Administration surveyed the field by contacting the various industries which might be interested in this particular plant to keep it in production and encouraging them insofar as we could go, to inspect the plant, furnishing them all of the engineering data and so forth, that we had on the plant, trusting that we would get a proposal which would specify that the plant would be continued in its present use.

I might say one other thing.

It came up in this point in our hearing before the Senate Agricultural Committee hearing the other day, and that is the national defense aspects of this plant.

What I say about that plant in that regard applies to the Omaha plant as well.

Under Public Law 364, passed by the last session of this Congress, the armed service, who have chosen to act through the Army and Navy Munitions Board, may invoke what is termed a national security clause on any piece of property, industrial or nonindustrial, which they determine is necessary or desirable in national defense.

That clause briefly provides, although its terms vary in accordance with the type of plant, that there is a dormant estate in which it may lie and the Government may activate it from this estate at any time within a specified period, if it is determined by the armed services that it is necessary to take over and exercise this right.

The Government will assume the operation or supervision of the plant.

In carrying out that program the Army and Navy Munitions Board requested of the War Assets Administration and we furnished a list of approximately 500 separate pieces of property, including these alcohol plants, for a review to determine whether or not the national security clause would be invoked or whether or not the armed services might

want to take over and keep these plants in a reserve, which is also authorized under Public Law 364.

As a result of the Army and Navy Munitions Board's survey of this list of plants which we furnished to them, they came back to us and selected 178 of these plants which they requested we offer only under the national security clause.

These alcohol plants were not included in that list of 178. You will note from this abstract of proposals that the Schenley Distillers Corp., under column 3 of the first page, has made an offer to purchase this plant outright, cash on closing for \$1,100,879.99. They state to us that their proposed use in distilling grain alcohol or grain neutral spirits for blending and other beverage purposes.

There is no other cash offer which approaches this. The next higher one is \$218,000, on the second page, under column 7. It is from Brown-Strauss Corp. of Kansas City, Mo. There are some lease offers in varying terms there.

It is the opinion of Mr. Hamill and others who have examined these proposals that this constitutes the best offer to the Government for the disposal of this plant.

The Real Property Review Board has so acted and recommended to me as Administrator that the plant be disposed of to the Schenley Distillers Corp.

Now, when we receive proposals we bind the bidder for 60 days.

That is a common practice. There is no desire on our part to appear to put this committee under pressure or anything of that sort. Circumstances have just come about so that the 18th is a couple of days from now, and that is the reason that matter is called to the attention of the chairman of the committee.

I think he would appreciate that.

Mr. FLANNAGAN. Mr. Larson, on the last page which does not seem to be numbered, of the proposals, what does the last page cover?

Mr. LARSON. That covers the Omaha plant, which I have not referred to up to this time except in passing.

Mr. FLANNAGAN. I see.

The CHAIRMAN. Under the terms upon which these plants were offered, the bidder would be required to operate them for 2 years, if I understand correctly.

Mr. LARSON. No, we do not go quite that far, Mr. Chairman. We requested the bidder to state what his proposed use of the plant was, and he has stated, as I have indicated, for distilling grain and neutral spirits, for blending and other beverage purposes.

We prohibit resale within 2 years, which we think encourages the use of the plant for the purpose for which it was built.

Particularly do we think that is true in this case because of the size of the offer.

We think it would be highly economical to the purchaser to operate this plant for the purpose for which it was built.

Mr. HOEVEN. Is that 2-year period statutory?

Mr. LARSON. No, it is not statutory. It is fixed by regulation under statutory authority of the Administrator to set up conditions of sale.

As I say, it is primarily for the purpose of meeting that objective of the act which requires the Administrator to—in the disposal of surplus property, to discourage speculation.

The CHAIRMAN. As far as your contract is concerned, then, the purchaser could make any disposition which he saw fit after the 2-year period. He could sell it, he could tear it down, or make any other disposition out of it; is that correct?

Mr. LARSON. That is correct, Mr. Chairman.

The CHAIRMAN. Did I understand you to say that this plant was not one of those on which the security clause would apply?

Mr. LARSON. It has not been invoked.

The CHAIRMAN. By the War Department or other agencies.

Mr. LARSON. By the Army-Navy Munitions Board, which is the agency designated by all of the armed services to exercise their authority under Public Law 364.

Mr. ANDRESEN. Well, Mr. Chairman, then as I understand it, the War Department or the agency representing the security of our country has determined that this plant is not essential to the national defense.

Mr. LARSON. We would assume that on the basis of having submitted it to them for a review for that specific purpose and they have not invoked it.

Mr. ANDRESEN. How recent was that resubmission?

Mr. LARSON. Well, that submission was following the passage of Public Law 364 which was passed in the latter days of the last session of this Congress.

The list was submitted in the early part of September. I might say this: I do not know whether it is entirely appropriate or not, but I think it is. As I have indicated, that same information was given at a hearing called for the same purpose by the Senate Agricultural Committee day before yesterday.

Senator Aiken called me last night and told me that he had again discussed this matter with the Secretary of National Defense.

Mr. Forrestal had indicated to him that he would ask the Army-Navy Munitions Board to make a quick review of this situation. It is entirely possible that we might get some word from the Army-Navy Munitions Board as a result of that request from Mr. Forrestal even today.

Mr. ANDRESEN. I am sure we all recognize that events have changed the situation materially since last September.

Having in mind what Mr. Forrestal said yesterday before a committee, that we would have to spend millions more for national defense and also indicating that the reason for this was the danger in the world that we might be in another war, it seems to me that before you even considered disposing of this you should have word from them, an up-to-date opinion.

Mr. LARSON. I agree with you, Mr. Congressman, and you can rest assured that before midnight on January 18, if we have not heard from the Army and Navy Munitions Board, I will personally communicate with the Secretary of National Defense to ascertain if this has been done.

Of course, you see, we are in an unfortunate situation in that we stand to lose a very substantial offer for this plant for use in private industry.

Mr. ANDRESEN. What is the replacement value of this plant?

Mr. LARSON. Well, the acquisition cost, as I indicated, was over \$4,000,000.

It was \$4,098,000. We do not have any figures on the replacement value. We have fixed the fair value, after taking into consideration depreciation since the plant was installed, at the figure which I indicated, of \$2,179,000. I have no figures on what the replacement would be at this time.

Mr. ANDRESEN. Well, it is quite apparent to me that if this company were to build a plant like this, and I assume that it is a going plant since it has been operating since June of last year, that they would probably have to pay \$8,000,000 to build a new plant and equip it the way it is presently equipped.

Mr. LARSON. Mr. Hamill, I think, can make a pertinent comment on that, Mr. Congressman. He is a technician in that field.

Mr. ANDRESEN. I would like to have his comment on it.

Mr. HAMILL. Now, the acquisition cost, of course, is somewhat more than \$4,000,000 in this plant. Our fair value, so-called, was arrived at by the appraisers working as a team to determine first what a new plant would cost.

It would probably cost somewhere on the order of—if the materials could be had it might range between 5 and 6 million dollars for this plant. But the fair value is arrived at by applying depreciation, which is extremely heavy in this plant because this plant was made from second-hand materials or whatever we could lay hands on during the war years when we had to build this type of plant.

Particularly at Kansas City there has been less replacement. The reproduction cost depreciated, as I recall it, was something about the order of $2\frac{1}{4}$ million dollars, to which there have been applied certain other deductions because of the bad state of certain wooden fermenters and other things that have to be replaced.

Now, the people who have looked at this plant from the viewpoint of returning it to operation, particularly to make really high grade alcohol—it could be used for various types of tax-free alcohol as well as neutral spirits—estimate that it will take from \$100,000 to a quarter of a million dollars to bring it up to full operating capacity on high-grade alcohol.

In other words, this value of \$2,179,000 is the opinion of our appraisal team as to what the plant would be worth to anyone who could use it for its maximum and optimum use as it stands.

Mr. ANDRESEN. Of course, we recognize that with the prevailing prices on grain it is going to be a pretty expensive operation to turn out alcohol but it occurs to me that if there is any truth to the statements made by our military and civilian leaders in the executive branch of the Government, that there is danger that we may become involved in another war and when we note that they are resuming occupation of bases in Africa, and I do not know what other places, it looks to me as though we ought to go very carefully before we dispose of these plants. As I said, that is, if there is any truth to those statements.

Now, if the Government has to replace these plants and there is no security clause in here where they can take them over, we may be going into an expensive proposition if we are in danger of a war in the near future.

I for one would not want to part with the ownership of this plant for a measly \$1,700,000.

I say "measly" because here we are being called upon to appropriate 10 or 12 billion dollars for this year.

We are also called upon to institute universal military training.

Certainly somebody is falling down on the job up there, letting a plant that is necessary to our security go for a price of \$1,700,000.

Mr. POAGE. Will the gentleman yield?

Mr. ANDRESEN. Yes, sir.

Mr. POAGE. Might it not be better to have these plants in the hands of people who are in the business and who are qualified to operate them, people who make that their business, than have the United States Government own them without any operator? One of our greatest problems during the war was to get proper people to operate these things. I cannot speak for the people who made this offer but certainly they have been producing alcohol some time and I think they would be better able to operate this thing efficiently, than to have either Mr. Larson's agency or this Congress, or any other Government bureau or agency send somebody out there on civil service to run it.

I think we would get better operations in the hands of someone whose business that is.

Mr. ANDRESEN. I would agree with that, but I would also think that in view of what we hear, at least, that there should be a proviso in there that the Government itself can at least get the production from that plant.

Mr. POAGE. You do not have to have that proviso in it. You have got the production from any plant you want. You did it during the last war and you can do it again.

Mr. ANDRESEN. Yes, but that is from the highest bidder.

Mr. POAGE. No; you can take it from anybody. This Government has got the right to force anybody to channel their production to the Government.

The CHAIRMAN. Let the Chair suggest that this is a matter we should probably take up in executive committee when we are not taking the time of the witness.

Mr. ZIMMERMAN. Who made this offer?

Mr. LARSON. The Schenley Distillers Corp.

Mr. ZIMMERMAN. In other words, people who are engaged in the business of making alcohol have placed the value of this property. Are they the bidders?

Mr. LARSON. They are the high bidders.

Mr. ZIMMERMAN. Do you not think that is a pretty dangerous situation, where fellows bid who are in the business? Do you not think they are looking for a bargain?

Mr. LARSON. Well, my experience in surplus property, Mr. Congressman, is that a lot of people are looking for bargains and a lot of people get bargains in surplus property.

Mr. ZIMMERMAN. That is the trouble about it. It looks like a lot of people, or everybody, is out to rob Uncle Sam. That is my experience and observation.

Mr. GOFF. Mr. Chairman, if the gentleman will yield, I did not understand that the appraisal was made by the Schenley people.

Mr. ZIMMERMAN. He has already said so.

Mr. LARSON. I misunderstood you. You asked who made the appraisal?

Mr. ZIMMERMAN. Yes, sir.

Mr. LARSON. The appraisal was made by an independent private firm of appraisers, and engineers which we employed to make the appraisal as we do in all our properties. Do you recall the name, Mr. Hamill, of the appraisers in this particular case?

Mr. HAMILL. I believe it was Lane & Associates.

They were the contracting appraisers on this. There have been other appraisals made of the physical property. In addition, our own appraisal division has worked on this as regards the economic status and the physical valuations.

Mr. ZIMMERMAN. I think, then, there is no connection between the bidders and the appraisers.

Mr. HAMILL. No, sir, I would say not at all.

Mr. ZIMMERMAN. That is encouraging. That first statement kind of worried me.

Mr. LARSON. I misunderstood you, Mr. Congressman. I thought you said who made the high bid.

Mr. ZIMMERMAN. I asked both questions. I asked who made the appraisal and I asked if the same people who made the appraisal were the bidders and you said "yes".

Mr. LARSON. Well, I am sorry if I misled you.

Mr. ZIMMERMAN. That is all right. I am glad to get that point clarified.

Mr. LARSON. I might say in passing that my observation has been that the people in the appraisal field throughout the United States, those substantial firms that we have sought out for the purpose of making appraisals, have never in any instance given any indication of collusion between prospective bidders and appraisers.

Mr. ZIMMERMAN. That is indeed very encouraging.

Mr. LARSON. Mr. Hamill tells me, as I also recall at this time, that we require in our contract with the appraisers that they certify that there is no financial or other connections there.

Mr. ZIMMERMAN. Very well.

Mr. LARSON. I would like to make the War Assets position clear in this regard, and I think you gentlemen are aware of it.

We are a temporary agency. We are striving to meet our responsibilities under the act which requires us to diligently pursue the disposal of property.

We automatically expire December 31, 1949. My personal opinion is that we can have our job wound up or at least reach such a point that an old-line Government agency can take it over even before that time.

Our operation is getting expensive because we are down to the hard-to-sell items. We do not want, and will not get, ourselves into a position where our cost of operation exceeds our return to the Government if we possibly can help it. I mention that to show the pressure that we are under to dispose. I would also like to point out that we are not unaware of the things which the Congressman has mentioned regarding national security. There is a constant daily working relationship between our real property disposal people and the Army and Navy Munitions Board. We are constantly re-surveying and going over properties in the light of changing conditions so far as national security is concerned.

They represent that agency of the Government which is responsible for national security and we are always, and will always be, amenable to the highest of cooperation with that agency, as we are with the Department of Agriculture in the over-all farm economic picture as regards a plant of this particular type.

We are not headstrong on going ahead with the disposal. That is not our program or our desire. We are merely trying to ordinarily carry out our responsibilities.

I think I can honestly assure you gentlemen that these things are being reviewed and if we get a request from this committee or an indication from the Congress or a request from any Government agency such as the armed services or the Department of Agriculture that it would be desirable to hold this up, we will cooperate.

We do cooperate every day.

Mr. ANDRESEN. Let me ask you, Mr. Larson: Does this Schenley Corp. want to have the thing closed on the 18th or do they want to withdraw from their bid?

Mr. LARSON. Well, as I say, the terms of their offer was that it would stand for 60 days. We required that in our proposal.

Mr. ANDRESEN. How long since this offer came in?

Mr. LAWSON. It came in on November 17.

Mr. ANDRESEN. Of course, it is coming to the attention of Congress at a pretty late date.

Mr. LARSON. Well, of course, we ordinarily do not bring specific cases to the attention of Congress. Congress brought to our attention the fact that the committee was interested.

The CHAIRMAN. If there has been a delay here I think Congress will have to take the responsibility, rather than the War Assets Administration.

Mr. LARSON. There is no attitude of criticism or condemnation. We are not chafing under that. We are very happy, because we think you gentlemen are in a better position than we are.

We are a disposal agency, geared to disposal of property. We are not experts in the field of national defense or experts in the field of economy. We have to depend on the Congress to indicate the over-all policy, the Administration, and the agencies of the Administration.

Mr. ANDRESEN. I wish some agency of the Government had asked us about the disposal of these oil tankers that have gotten away from the country.

Mr. LARSON. I am very happy to say that that does not fall within my field of responsibility, and I cannot offer any comment on that.

The CHAIRMAN. Well, Mr. Larson, you also have, as indicated by this abstract, offers from the Schenley Distilling Corp. to lease the plant.

Mr. LARSON. Yes. In the first column there is an offer for a minimum rental for 2 years of \$150,000 a year and rental terms of 5 cents per wine gallon of 190-proof produced each month, with a minimum rental of \$12,500 a month.

The CHAIRMAN. That statement includes the first, does it not?

Mr. LARSON. Yes; that includes the first. That would amount to \$150,000 a year. Then there is another proposal in which there is no minimum payment but a rental of 8 cents per wine gallon, as shown in the second column.

As I indicated, it is our policy—we feel it is indicated by the Surplus Property Act—to dispose rather than to keep; because if we keep on long-term leases, that requires supervision and expense of the Government in supervision, plus the fact that we feel that, generally speaking, it is better to have these war-built properties in the domestic economy in the hands of private operators.

There may be good and sufficient reasons to change that policy, which may occur in this case if the Army and Navy Munitions Board comes up.

The CHAIRMAN. I would say that, generally speaking, I would agree with that; but it strikes me that perhaps in this case, where there is a possible question of national defense involved, and also the question of whether or not we should give consideration to the possibility of using these plants for the disposition of agricultural surpluses—that under those conditions it might be quite a persuasive argument for accepting the lease rather than the purchase offer. I hope that—in your consideration of the matter—that you will give some thought to those viewpoints.

Mr. LARSON. Well, consideration has been given to that. I have indicated to you what our over-all policy is in regard to disposal rather than lease. The recommendation that is before me now is that we sell the property for the high bid.

The CHAIRMAN. Yes; I understand. Well, let me ask you this: If the Sehlenley Corp. purchase or lease this plant, would they be entitled to participate in allocations of scarce grains on the basis of the capacity of this plant?

Mr. LARSON. Mr. Chairman, I do not have any knowledge of that. Perhaps the Department of Agriculture representatives could answer that better than I.

The CHAIRMAN. Are there any further questions on the Kansas City plan?

Mr. HOEVEN. Mr. Chairman, I have one. I would like to know what your position would be if this committee recommended that you lease instead of sell.

Mr. LARSON. Well, I would certainly give it a great deal of consideration. I would go into the economics of it and the return to the Government.

Mr. HOEVEN. That is, in view of the world situation as it has been explored here today.

Mr. LARSON. And I would consult with the security people of our Government. My answer is that I have not done that. It only came to me with this recommendation this morning, and I have not done that; but I assure you that I will do that, whether or not we get any indication in this committee. But a recommendation from this committee is always helpful as to what the attitude of the Congress is, which we look to to fix the over-all policy.

The CHAIRMAN. Let me ask you this, Mr. Larson: I realize this is just asking for your opinion, but in the event that the question of allocations was involved, it could be a profitable operation on the part of the distilling company to acquire this property and get allocations of scarce grains on the basis of their ownership of this capacity, even if they did not operate the plant beyond the year period, could it not?

Mr. LARSON. Mr. Chairman, may I let Mr. Hamill comment on that? He is a technician, and I am not, and I think his observations would be more helpful than mine.

The CHAIRMAN. Yes.

Mr. HAMILL. Well, it is quite obvious that the possibility of obtaining a grain quota or of having this plant available to participate in any allocations of spoiled grains or off-grade grains, or anything like that, would have a bearing on its value to an operator. As to whether or not an operator of this plant, or owner of this plant, would get a grain quota is something, of course, that would have to be thrashed out by Agriculture. But there have been questions raised as to whether or not the position of an owner of the plant would not be better as regards getting a quota than if he were merely the lessee of a Government-owned plant. In other words, it might be that a quota would not be allocated to a Government-owned plant but might be allocated to a privately owned plant. It is entirely possible that a considerable part of the value attached to this plant in the Shenley purchase offer might be attributed to what they think are their possibilities of getting a grain quota for operation in the next 2 years.

The CHAIRMAN. Well, as good businessmen, they would hardly make an offer unless they either expected there would be no quotas or else that they would be able to get a quota if they purchased the plant. That is a reasonable assumption, is it not?

Mr. HAMILL. Yes.

The CHAIRMAN. Are there any further questions on the Kansas City plant?

(No response.)

The CHAIRMAN. If not, will you proceed then to tell us about the Omaha plant?

Mr. LARSON. Yes. Referring back to table 1, which is the fourth sheet of the smaller six sheets in this résumé, you will note there plan 1608, the Farm Crops Processing Corp. of Omaha, was built by the Government at a cost of \$6,806,000. Our Appraisal Division has indicated to us that they feel that a fair value of this plant, based on appraisals acquired in the same manner as I have indicated heretofore on the Kansas City plant, is \$3,633,000. This is a somewhat larger plant, as you will note from the design capacity; that is, it has a design capacity of 22,750,000 gallons per year. This plant was declared surplus to the War Assets Administration June 24, 1947. It was advertised in October and November of 1947, with a cut-off date of December 17, 1947. As a result of that offering, which was in the same manner as the Kansas City plant, the abstract of bids, pages 1 and 2 of the large sheets, will indicate that we have received six proposals from seven sources.

The CHAIRMAN. What is the status of the Omaha plant regarding operation?

Mr. LARSON. It is under lease to the Farm Processing Corp. at this time. You will note that in column 1 the National Distillers Products Corp. of New York proposed to buy this plant for \$3,210,000, to be used for the purpose of the manufacture of alcohol, distilled spirits, and byproducts. This was not a cash offer; 20 percent cash as a down payment upon the closing of the agreement and the balance in equal and annual installments for a period of 5 years, at the interest rate of 4 percent. That was the bid of the National Distillers Products Corp.

Now, on page 2 you will note that the Farm Crops Processing Corp. qualified with the Reconstruction Finance Corporation as a small business enterprise; and, as a result of that qualification, they acquired a priority under the Surplus Property Act to purchase for fair value. Farm Crops came in and exercised that priority in this particular case. They indicated that they wanted to exercise that priority which would result in the payment of \$3,633,200 if that fair value is sustained. They have asked us, in the light of certain rather extensive changes that they may be required to make in this plant if they take it over and operate it, that we reconsider this fair value in the light of moving it downward. We are in the process of so considering. Mr. Hamill tells me that it is entirely possible that this fair value will end up somewhere between the value which was indicated by the National Distillers Products Corp., which, being a private industry or a private corporation in this industry, certainly has given us a good indication as to what the value of the plant is to private industry, and that which we have fixed.

The CHAIRMAN. Well, let me ask you this: Would the priority which a small-business concern might have under the law to take the plant at a fair value apply if you had a better offer than what has been termed as a fair value?

Mr. LARSON. That is correct.

The CHAIRMAN. They still would have a priority?

Mr. LARSON. Yes; and we would be required to make a disposal to whatever that organization or group might be who had qualified as a small-business enterprise.

The CHAIRMAN. Now, the Farm Crops Processing Corp. also made some other offers, I note.

Mr. LARSON. Yes; they made offers as indicated in columns 2 and 3 on page 1, the first of which was a purchase price of \$500,000, plus payments for 5 years at 4 cents per wine gallon and 1 cent per wine gallon of 190-proof industrial alcohol; that is, beverage alcohol and industrial alcohol. Their other proposal for lease has no minimum payment, but a straight rental of 4 cents per wine gallon of 190-proof beverage alcohol produced and 1 cent per wine gallon of industrial alcohol produced, payable quarterly on a term of 10 years, lease subject to cancellation on 90 days' notice.

Referring back to the previous lease offer which I outlined, that was to run for a period of 5 years.

The CHAIRMAN. Based on the capacity of the plant, I suppose that is the only basis you could use to make a statement. What would that amount to? Let us take offer No. 2. What would that amount to in terms of dollars?

Mr. LARSON. I am sorry, Mr. Chairman, I have not computed that. Mr. Hamill is in the process of computing it here now. We have not reached the stage of analyzing these disposals for presentation to the Real Property Review Board.

The CHAIRMAN. Well, I wonder if you could not just put those figures in the record, on both offer No. 2 and offer No. 3.

Mr. LARSON. I beg your pardon, sir?

The CHAIRMAN. Can you compute those figures later and put them in the record?

Mr. LARSON. Yes; I will be glad to do that, and I am sorry we did not do it sooner and put it in this record.

I would like to state that I have had some conversations with Mr. Welch, of the Farm Processing Corp., and either he or Mr. Johnson, of the corporation, are here, and probably the committee will hear them. They have some comments to make on these particular proposals. They certainly will go into it completely before a recommendation is made.

Mr. HAMILL. May I point out, Mr. Chairman, that the amount of that return is going to be so largely affected by the grain situation in the first 2 years that we did not pay too much attention to the income on a basis of capacity. It is so problematical as to how much they will run, or anything else, that there is no yardstick to apply to it.

The CHAIRMAN. I appreciate that.

Mr. ARNOLD. That would be rather a precarious bid by itself, would it not?

Mr. HAMILL. It is likely to be, except for the fact that there is a down payment of \$500,000 on the bid.

The CHAIRMAN. When does the 60-day period expire as to the Omaha plant?

Mr. HAMILL. That is 60 days from December 17, which, roughly, is February 15.

Mr. ZIMMERMAN. This plant at Omaha is equipped to utilize what products in alcohol?

Mr. HAMILL. Well, you can use any type of grain or fermentable material. Either of these plants could use potatoes, sorghum, wheat, good grain, poor grain of any type, anything that can be fermented.

Mr. ZIMMERMAN. Do you know whether or not they have been utilizing potatoes?

Mr. HAMILL. I would rather have the Department of Agriculture and the representatives of farm crops indicate that as to the extent, but I know that they have utilized them whenever they could get them.

Mr. ZIMMERMAN. The reason I asked that question is, I am deeply interested in the disposition of farm surplus products. For example, last year we had thousands of bushels of potatoes that were dumped and rotted. The Government paid for it. Now, there should be some way worked out to utilize these products. There should be some way that would be of value to industry.

Mr. HAMILL. Well, in connection with our discussions of these plants with the prospective purchasers, we have had assurances from both of them that for any long-range plants they would certainly contemplate the closest cooperation with the Department of Agriculture or with any other Government agency in the matter of disposing of agricultural commodities because the economics of the situation are simply such that they have to.

Mr. ZIMMERMAN. Well, they did not last year, though.

Mr. HAMILL. Well that may be because the potatoes are too far away. The technicalities of that, I think, should be taken up with the agriculture people. But it is a matter of dollars and cents if the potatoes are too far from the plants.

The CHAIRMAN. Are there any further questions?

Mr. Hoeven.

Mr. HOEVEN. I just want to ask one question, Mr. Larson. What is the status of the Muscatine, Iowa, plant?

Mr. LARSON. The Muscatine, Iowa, plant has not been declared surplus to the War Assets Administration and all indications are that it will not be. The Department of Agriculture, I think, will have some informative information to give the committee in that regard.

The CHAIRMAN. Are there any further questions?

(No response.)

The CHAIRMAN. We thank you very much, Mr. Larson, for coming up here and giving us this information. I wonder if you will just stand by until we hear some of the other witnesses, as we might want to ask for some further information.

Mr. LARSON. Thank you very much, Mr. Chairman, for the opportunity of coming here. It is always helpful and informative to us to ascertain through committees and otherwise what the thinking of Congress is. I would like to point out one thing before I retire. That is to reemphasize the position of the War Assets Administration. We are a liquidating agency. We are not equipped to operate or supervise operation over a long period of time. Our budget is based on the assumption that we will make an orderly disposal. We have in our budget sufficient funds to provide maintenance costs and supervision of these plants for this fiscal year only. We do not have any funds beyond that. I just point that out.

The CHAIRMAN. Yes. I am very glad to make that a part of the record.

We have with us Mr. Wyckoff of the Fiscal Branch of the Production and Marketing Administration. We will be very glad to hear from him at this time.

STATEMENT OF J. B. WYCKOFF, FISCAL BRANCH, PRODUCTION AND MARKETING ADMINISTRATION

Mr. WYCKOFF. Mr. Chairman, I would like to read a brief statement for the record in regard to the three plants.

Toward the end of 1942 it was determined by the War Production Board that additional facilities would be needed to produce the alcohol required for war use, mainly because of the synthetic-rubber program.

The erection of three plant by the Government was authorized—one at Omaha, Nebr., one at Muscatine, Iowa, and one at Kansas City, Mo.

Since a shortage of molasses had limited the production of alcohol at eastern seaboard plants, these three Government-owned plants were designed to use grain and were consequently located on waterways in the grain-raising area. The production of alcohol from these plants contributed immeasurably to the success of the synthetic-rubber program.

Omaha: At Omaha, in 1943, existing buildings on 6 acres of Missouri River water front were acquired by Defense Plant Corporation for around \$125,000 and were equipped at an additional cost of around \$6,900,000 for processing approximately 30,000 to 35,000 bushels of grain per day for the annual production of 17,500,000 wine gallons of alcohol, and 63,000 tons of byproduct feed. No boiler plant was included in the project.

This plant, under lease to Farm Crops Processing Corp., started operations in March 1944, and has operated almost continually since that date.

In 1945 it produced alcohol at the rate of 25,000,000 wine gallons a year. Rent ranging from 4 cents to 8.4 cents per wine gallon has been paid the Government, to a total amount of approximately \$2,800,000.

In 1946, 34,000,000 pounds of maltose sirup were made in this plant from corn and 2,000,000 bushels of potatoes were converted into alcohol; more than one-half bought from the Government and the balance in culls and off-grade potatoes from producers.

Kansas City: At Kansas City, Mo., in 1943, 14 acres of land were acquired by Defense Plant Corporation along the Missouri River, for approximately \$150,000. Buildings were erected and equipped at a cost of approximately \$4,000,000 to process 18,500 bushels of grain per day for the annual production of 11,000,000 wine-gallons of alcohol and 35,000 tons of byproduct feed.

Under lease to National Distillers Products Corp., the plant started alcohol production early in 1944 and feed recovery later that year.

Rent at 7.7 cents per wine gallon was paid to the Government to a total amount of \$1,550,000 through May 1947, when operations ended.

Muscatine: At Muscatine, Iowa, in 1943, Defense Plant Corporation acquired 36 acres of land along the Mississippi River for around \$17,000 and spent \$2,800,000 for buildings and equipment to process approximately 13,000 bushels of grain per day for the annual production of 9,000,000 wine gallons of alcohol and 30,000 tons of byproduct feed.

The plant, under lease to Grain Processing Corp., started alcohol operations in January 1944, and feed recovery in April 1945. It operated without interruption until the distillers' holiday. In 1945 and 1946, 33,350,000 bushels of potatoes were converted into alcohol.

Rent at 8.7 cents per wine gallon has been paid the Government to a total amount of approximately \$2,325,000.

On December 4, 1946, the Reconstruction Finance Corporation, which owned and leased these three plants, advised the Department of Agriculture that it wanted to terminate the leases on them. On January 16, 1947, we asked that termination be postponed and on March 13, 1947, we advised the Executive Director of Reconstruction Finance Corporation that we had no objection to the termination of the leases on the plants at Omaha and Kansas City, but that we planned to ask Congress to permit transfer of the Muscatine plant from the custody of the Reconstruction Finance Corporation to the Department of Agriculture.

At that time the Omaha plant had returned to the Government in rent 40 percent of its cost, Kansas City 30 percent, and Muscatine 75 percent.

The Muscatine plant was the smallest of the three, new in every part, efficiently designed and equipped; it had been well maintained and modernized as copper and other scarce materials became available. The lessees had diverted from profits almost \$750,000 into the plant to improve its facilities. It is located closer to our regional laboratory at Peoria than the other two plants and the management

had always worked cooperatively with the laboratory personnel and research personnel from Washington.

Its books carried, in addition to rent, a maintenance cost of \$300,000 annually plus property taxes of \$40,000 and property insurance of \$6,000.

The Marketing Research Act, then on the books, calls for broad research programs designed to develop new uses and markets and to improve processing and marketing methods for farm products.

This plant at Muscatine was readily available to carry into practical demonstration a number of projects that had passed the laboratory and pilot stage at Peoria and which were to be of practical benefit to the general distilling industry.

That is, in general, the thing that went back of our desire to have the Muscatine plant continued in Government ownership and transferred to the Department by legislation which is about to be submitted in order that we might carry out primarily the objectives of the Marketing Research Act and at the same time have the plant available for the surplus agricultural commodities as they develop.

The CHAIRMAN. Well, is it your thought that the capacity of the Muscatine plant is such that you can commercially produce a considerable quantity of alcohol? In other words, is that the primary reason for keeping the plant?

Mr. WYCKOFF. That is a secondary reason, Mr. Chairman. It is our assumption that if these plants are operated, either privately owned or publicly owned, they will be available as agricultural surpluses develop and should be converted into useful products.

The CHAIRMAN. Well, of course, if War Assets Administration disposed of them, we do not know what will become of them, whether they will be available or not. That is true, is it not?

Mr. WYCKOFF. The offers received indicate that there is an intention to operate them. I do not know.

The CHAIRMAN. Well, you heard the questions which I asked Mr. Larson a while ago about the advantage which might accrue to any owner during the period when quotas might be in effect.

Mr. WYCKOFF. When quotas were being assigned for the month of January, which is the present term of the permission of the Department to allot quotas, it was originally determined that the Government-owned plants would be given no quotas.

Petitions for hardship were received from two of the three plants that were then in operation.

A small quota has been given for the month of January to the Muscatine plant and I believe a small quota has been given to the Omaha plant.

If the Kansas City plant is to be sold, I assume it is being bought in a belief that it would be qualified for a quota the same as any other privately owned alcohol plant.

The CHAIRMAN. Well, and under the formula that has been in use it would be able to qualify for a quota, would it not?

Mr. WYCKOFF. I would think so.

The CHAIRMAN. Well, the only point, of course, in raising that question is the possibility that those who are making what appear to be good offers for the purchase of these plants at the present time, may not intend to continue the operation of the plants for any considerable period. That is, if there is enough advantage in securing a quota, as

there might well be if quotas continue for a year or two, I can see that it might be well worth the purchase price to secure the plant and thereby obtain the quotas.

This committee is not interested in whether they get quotas or whether anybody gets quotas but we are interested, as I know you are, in the continued operation of the plants as an available source if needed for making alcohol out of surplus farm products.

It seems to me that if we are going to be able to realize that hope, that the plants should not be disposed of unless by some arrangement which would give an assurance that they will be made available for that purpose.

What is your thinking on that?

Mr. WYCKOFF. As owner of the plant, of course it is very difficult for the Government to require that the lessee does anything. If it is economically profitable for a lessee of any plant to use farm surpluses, and potatoes were available at fairly low prices and there is a market for potato alcohol which did not turn out to be very good in 1946, it is possible that any alcohol plant would use potatoes as they did.

It is entirely possible that a Government-owned plant lessee might determine that it was uneconomic for him to convert potatoes into alcohol and I doubt very much if we could in any way force him to do it, though it was our plant.

The CHAIRMAN. I am not thinking so much about the immediate future, because except for potatoes we do not have any surpluses now which might be available for making alcohol.

What I am thinking of particularly is looking ahead a few years; it is altogether possible we will have surpluses of some type of agricultural products from which alcohol could be made.

If a plant should be disposed of to a purchaser who bought it more for the purpose of getting quotas than for permanent operation of the plants, then it is quite possible that we would lose that outlet for surplus agricultural crops.

That is a matter which has occurred to me and I think to other members of the committee. I am sure you agree that that is something that all of us who are interested in agriculture should be considering, do you not?

Mr. WYCKOFF. But do you not think that we would lose that opportunity only if the plant had been closed down and was not in operation?

The CHAIRMAN. Yes; that is what I fear it may be. If it is being purchased now to get the quotas rather than for permanent operation, it is quite likely that it will not be continued in operation at the time that agriculture needs that outlet; at least we have no certainty that it would be.

I am wondering if you folks have made any particular study of the possibilities in that regard.

That is, do you have any idea, not as to what the intention of any particular bidder might be, but as to the likelihood that these distilleries could properly be kept in operation and available for use as outlets for farm crops in the long-time picture?

Now, I am directing that of course more to your study—as to whether if there are surplus crops available, alcohol or other products might be manufactured from them. I assume you have given some consideration to that.

Mr. WYCKOFF. Dr. Howard of the Agricultural Research Administration is here and it might be that he will have something to contribute to that.

The CHAIRMAN. We will be very glad to hear him. Before we go into that, Mr. Arnold has a question.

Mr. ARNOLD. In your statement a minute ago did I understand you to say that the Muscatine plant was the only one of the three that has recovered the entire original cost?

Mr. WYCKOFF. We have recovered in rent—the Government has recovered in rent—approximately 75 percent of the original cost in 4 years' operation.

Mr. ARNOLD. And you mentioned another return there that you had.

Mr. WYCKOFF. The plant——

Mr. ARNOLD. Muscatine is the one I wanted.

Mr. WYCKOFF. The plant at Omaha has returned approximately 40 percent of its original cost and the plant at Kansas City, 30 percent.

Mr. ARNOLD. The one at Muscatine was the one where I understood you had recovered in your rentals all the cost.

Mr. WYCKOFF. Approximately 75 percent of it. The original cost at Muscatine was about \$3,800,000 and the rent return has been \$2,325,000.

Mr. ARNOLD. Now, did I understand from your statement that the Department of Agriculture wanted the plant at Muscatine?

Mr. WYCKOFF. Legislation has been prepared and is about to be introduced, for the transfer of the plant from Reconstruction Finance Corporation.

Mr. ARNOLD. Will they compete with private industry?

Mr. WYCKOFF. The lessee, as a private operator, will sell alcohol and feed to the trade and pay rent to the Government.

The CHAIRMAN. Mr. Johnson?

Mr. JOHNSON. I would like to ask the witness: What do the processors have to pay for these potatoes?

Mr. WYCKOFF. They paid from \$1.25 to \$1.50 when the contract called for the production of beverage alcohol.

Mr. JOHNSON. A hundred pounds?

Mr. WYCKOFF. A hundred pounds; yes. Later, Commodity Credit agreed to sell them to distillers for \$5 a carload plus freight when the objective was industrial alcohol.

Mr. JOHNSON. Evidently it looks like the Muscatine plant has been doing pretty well for itself on a return to the Government. Was it on a lease basis or a production-return basis, or what?

Mr. WYCKOFF. They paid a unit rent, rent per gallon of alcohol produced.

The CHAIRMAN. Mr. Gross.

Mr. GROSS. You probably will not know the answer to my question, but my curiosity was aroused and my interest too, when you said they paid \$125,000 for 6 acres, \$150,000 for 14 acres, and \$17,000 for 36 acres. It would be interesting to know what that land was assessed at about 2 years before the Government bought it; but, of course, I will not expect you to have that information.

Mr. WYCKOFF. I do not know. It might be gotten.

Mr. GROSS. Just skip it. I just wanted to have it in the record that my curiosity was aroused.

Mr. WYCKOFF. I think the Muscatine land is about a mile out of the city. It happens to be nice river-front property but it was very cheap and it is very desirable property now.

The CHAIRMAN. Are there any further questions of Mr. Wyckoff. If not, I will ask Mr. Howard to come forward.

STATEMENT OF L. B. HOWARD, CHIEF, AND C. F. SPEH, ASSISTANT-CHIEF, BUREAU OF AGRICULTURAL AND INDUSTRIAL CHEMISTRY, AGRICULTURAL RESEARCH ADMINISTRATION, DEPARTMENT OF AGRICULTURE

Mr. HOWARD. Mr. Chairman, with your permission, I would like to ask Mr. Speh to join me, sir.

The CHAIRMAN. Yes; go right ahead. Will you give your name, Dr. Howard, and your connection with the Department of Agriculture for the record?

Mr. HOWARD. Yes, sir. My name is L. B. Howard, Chief of the Bureau of Agricultural and Industrial Chemistry, Agricultural Research Administration, Department of Agriculture.

The CHAIRMAN. You are familiar with these alcohol plants that we have discussed this morning?

Mr. HOWARD. Yes; I have some familiarity with them. I have prepared no formal statement, Mr. Chairman, but I shall be glad to express, if it is the desire of the committee to know what the interest of our Bureau is in these plants.

The CHAIRMAN. Yes; we would be very glad to hear from you on that point.

Mr. HOWARD. We are interested in the possibility of having one of these plants, particularly the Muscatine plant, as property of the Department of Agriculture, so that we might have available a demonstration plant for carrying out demonstrations on a large scale of some of the developments which have been made in the regional research laboratories and the other laboratories of our bureau.

That would not contemplate operation by the Government in any sense of the word. It would contemplate, as Mr. Wyckoff has mentioned, that the plant be leased and that probably a major portion of the time the plant would be operated by the organization which had leased it for regular commercial operations, but that the lease would permit the use of the plant on occasion for full-scale demonstrations of some of the research activities that we have been carrying on and which have reached a stage where such large-scale tests are needed.

We feel that the Muscatine plant, by virtue of its modern equipment and general good design, would be well adapted to this purpose. Because of that we have recommended that legislation be prepared to transfer that property from the Reconstruction Finance Corporation to the Department of Agriculture.

The CHAIRMAN. Now, it is your intention, then, to lease it to private operators, if it is transferred; is that correct?

Mr. HOWARD. That is correct.

The CHAIRMAN. It is under operation now by the Grain Processing Corp.; is that the name of the operator?

Mr. HOWARD. Yes; I believe that is the correct title. The Farm Crops Grain Processing Corp. is the name.

The CHAIRMAN. Is that a local organization or is it connected with one of the large plants?

Mr. HOWARD. I believe that is largely made up of local people.

The CHAIRMAN. Is it the same operator that the plant has had during its existence?

Mr. HOWARD. So far as I am aware. I would defer to Mr. Wyckoff on that, but I believe it is.

The CHAIRMAN. Well now, under the operation as carried out by the Grain Processing Corp., are you doing some experimental work at the present time?

Mr. HOWARD. We have consulted with them and have sent engineers there. We have at the present time, I believe, no formal cooperative agreement and from that standpoint cannot be said to be carrying on a major cooperative venture with them.

It is more on a consultation basis.

The CHAIRMAN. Well, what are your intentions if you acquire the plant?

Mr. HOWARD. Our intention would be to undertake one or more developments which have reached the pilot-plant stage and which we believe are now ready for a demonstration-plant operation.

One of those might be mentioned as the study of the use of fungal amylase. That is a material which converts starch to sugar so that it may be fermented, and would do this by a method considerably more economical, sir, than the production of alcohol by the present malt-conversion method.

Mr. ARNOLD. Could I ask if there are any private plants conducting research along that line?

Mr. HOWARD. I have not any doubt but what there are private plants that are conducting a research along that line. As a matter of fact, I believe, we have supplied cultures of the organism that produce this fungal amylase to all the major distilling companies in the country.

Mr. ARNOLD. It is a product that is being produced now?

Mr. HOWARD. It is being tried out only on an experimental basis.

The CHAIRMAN. Why has the Department failed to recommend the acquisition by the Government of the other two plants, the Omaha plant and the Kansas City plant, on the same terms that you hope to acquire the Muscatine plant?

Mr. HOWARD. I think, sir, that my answer to that would be limited to the viewpoint of our Bureau and that is that from the standpoint of a demonstration plant, one plant would be quite adequate to carry on these investigations, and as I mentioned before, these investigations would actually require only a portion of the time of the operation of that one plant.

The CHAIRMAN. Well, you are not interested, then, in seeing that some plants are maintained which would furnish an outlet for agricultural surpluses in the future.

Mr. HOWARD. That, I should say, might be a broader objective of the Department. Our particular group is concerned primarily with the research phases of this program and we feel that perhaps by having a demonstration plant of this type it might develop processes which would result in very considerable uses of surplus crops in the future, which might be adapted and carried over into industrial plants or other plants which might be under Government supervision.

But the one demonstration plant, I believe, is all that would be required from the research standpoint.

The CHAIRMAN. Have you reached any conclusion as to whether we are likely to have agricultural surpluses in the years ahead which might possibly be converted to alcohol and similar products?

Mr. HOWARD. I think there probably is no question about that, Mr. Chairman. The past history and the future outlook, I believe, would suggest that we will be confronted with very large surpluses again at some time perhaps in the not-too-distant future.

The CHAIRMAN. And do you think that it is a practical method of disposition to convert these surpluses into alcohol?

Mr. HOWARD. We are working with that as one of the objectives. There are perhaps other methods of converting agricultural materials into useful industrial products which would assist in removing surpluses, and we are, of course, engaged in that whole problem; that is, the principal objective of our whole research program is in the utilization of agricultural commodities.

The CHAIRMAN. Well, you think it will definitely be to the interest of agriculture in the future if we do have outlets whereby grain and potatoes and crops of that character which in the past have frequently been in surplus can be converted into alcohol or similar products?

Mr. HOWARD. Yes; I do. I am not sure that I understand your question correctly. Do you mean to have available outlets under Government ownership and supervision or do you mean just that outlets be available, whether they be commercial outlets or otherwise?

The CHAIRMAN. Well, I was thinking of outlets of any type.

Mr. HOWARD. Yes; I do think so.

The CHAIRMAN. Would you want to express any opinion as to whether you think that there will be profitable commercial outlets in the future for products of that type?

Mr. HOWARD. Such as alcohol?

The CHAIRMAN. Yes.

Mr. HOWARD. Of course, from the standpoint of production of alcohol from agricultural materials such as grain, our past experience has been that there is a difficult problem of competition with certain other carbohydrate materials that can be converted to alcohol.

Grain has been in a difficult competitive position with molasses, for example, simply because the cost of molasses as a fermentable material has been lower than the cost of corn or of wheat, so whether or not the production of industrial alcohol from corn might compete in open commercial competition with some other sources of alcohol is a difficult question to answer at this moment.

The CHAIRMAN. Well, I have been told that so far as molasses is concerned the new methods of refining sugar leave a much smaller residue of molasses.

Mr. HOWARD. That is correct, sir. Of course, there are other competitors on the horizon, at the present time. The production of alcohol from petroleum products or the production of alcohol from coal is on the horizon and the proof of the cost of production of alcohol by those methods, I think, remains to be demonstrated.

I would hesitate to say that it might be produced from grain at some time in the future on a competitive basis with other sources of alcohol unless we were confronted with some sort of price differential that was employed to move these surpluses of grains.

Mr. ZIMMERMAN. As I understand you, then, grains are not in a competitive position with other products to produce alcohol—is that right?

Mr. HOWARD. Grain at the current market price would not be competitive with molasses.

Mr. ZIMMERMAN. Well, I think we all recognize that the present market price is an abnormal price. I am talking about the market price of grain over normal periods. That is what I am asking about, because we are going to get back to a normal period one of these days, just as certainly as we live.

Mr. HOWARD. It is somewhat difficult to say, Mr. Congressman, because it depends upon the demand for alcohol and the supply of molasses as one of the factors that is involved.

It would also depend on the developments in these procedures that are now being investigated for the conversion of petroleum and coal to alcohol.

Mr. ZIMMERMAN. How about potatoes?

Mr. HOWARD. Figures have been developed for the comparative cost of alcohol produced from potatoes and from grain. I did not have those immediately in mind but the return to the grower of potatoes is not as favorable, generally, as it is to the grower of corn.

Mr. ZIMMERMAN. Well, personally speaking, and I believe it is the feeling of this committee, what we are concerned about is the disposition of farm surpluses at times when these surpluses plague the industry.

We are trying to find some way to utilize these surpluses rather than to have our potatoes dumped to rot and do no good to anybody.

Mr. HOWARD. That is right, and we believe that we could make some valuable contributions to this.

Mr. ZIMMERMAN. Well, that is the thing in which I am primarily interested.

Mr. HOWARD. Yes, sir.

Mr. ZIMMERMAN. I hope to see some plan worked out, whereby we can utilize our surpluses. We have had times when wheat was a drug on the market. We have had surpluses of corn.

That time may come again. I think it will. I think those are things that, as a committee representing the farmers of this country, we ought to be concerned about.

If we are not concerned about it I do not know why we are on the committee.

Mr. ARNOLD. If the farmer cannot get a decent price for his potatoes he will learn not to grow so many next time.

Well, I do not know about that.

Mr. ARNOLD. If you fix it so farmers are going to have a good price they will just keep on raising them, there, until they bankrupt the Treasury.

Mr. ZIMMERMAN. I remember as a boy when they talked about cutting down the wheat crop, I recall two or three instances when the neighbors would gather around my father's barn to talk about farming and say they wanted to cut that, but the result was that every farmer made a mental resolution to plow up every acre he could and he was going to make a killing.

They kept the price of wheat up and I remember when it sold for 40 cents a bushel.

Mr. ARNOLD. When we were on our trip around the country—the Committee on Agriculture—I heard some speeches made that maybe we would not have any more farm surpluses, if we were starting in to supply the world.

Mr. ZIMMERMAN. Well, if you want to believe that, that is all right with me.

Mr. ARNOLD. I heard them made around the country by different people on that trip.

Mr. ZIMMERMAN. Well, it might be for 2 or 3 years. We all know there is going to be a big drain upon American agriculture next year but we are talking about a long-range program.

That is what we are interested in.

The CHAIRMAN. Mr. Johnson.

Mr. JOHNSON. I wanted the witness to tell us: Is there a sizeable amount of blackstrap molasses coming in now, in the alcohol industry?

Mr. HOWARD. I think the quantity is considerably less than it was prior to the war but I cannot give you the exact figure, sir. I would have to look that up. We can supply it if you wish.

Mr. JOHNSON. Do you have any idea of what it is selling for, delivered, in this country?

Mr. HOWARD. Your last question, sir?

Mr. JOHNSON. Do you have any idea what blackstrap molasses is now, delivered in this country?

Mr. HOWARD. I believe, sir, the last quotation that we have heard was one rather large purchase at \$0.24 a gallon.

Mr. JOHNSON. Well, that is not competitive with corn. Blackstrap plays a large part in the prepared mixed feeds and many of them feed cattle right out of the barrel. It is generally recognized in the feed cattle area that a pound of corn and a pound of molasses are equivalent in feeding value. So it is hardly competitive to a great degree. Only by virtue of docks on the seaboard and the transportation viewpoint.

The CHAIRMAN. Well now, assuming that in our long-time agricultural program we are going to have some provision for supporting prices under which the Federal Government might at times become the owner of grain and other products as it has been the owner of a good many potatoes in the last year or so, do you think that there would be possibilities for converting those surpluses into alcohol at an advantage?

Mr. HOWARD. I think if you had support prices there is no question but what they could be used in connection with surplus materials. I think there is no doubt about it.

The CHAIRMAN. And in such a case there might be some advantage, as far as the Federal Government is concerned, in having some Government-owned and operated plants, or we will say Government-owned or operated plants.

Mr. HOWARD. Perhaps so. I think with the price supports, of course, the industrial organizations would also be interested in some of these operations as they have in the past when they were able to obtain potatoes, surplus potatoes at prices that were relatively low, compared to the current market price.

Of course, in speaking of these three plants that we have here, one might inquire into the effect that the operation of those three plants would have on any large surplus if they were operated at full capacity.

We have just made a very quick estimate of that here and it would appear that perhaps something of the order of twenty million bushels of corn might be used by these three plants if they operated at full capacity for a year.

The CHAIRMAN. Approximately the same thing would apply to other grains?

Mr. HOWARD. Approximately the same figure would apply to wheat.

The CHAIRMAN. Are there any further questions? If not, we thank you very much, Dr. Howard.

Now we have with us some witnesses representing the Farm Crops Processing Corp. of Omaha, which is operating the Omaha plant. However it is now 12:25. I am wondering if the committee would be willing to come back this afternoon for a session.

It is important if we are going to give any consideration to the matter of the Kansas City plant. The time is almost past when the War Assets Administration must make a decision on the matter.

I would like to conclude the hearing today by hearing from the representatives of the Farm Crop Processing Corp.

Mr. ARNOLD. Mr. Chairman, I move that we adjourn until 2 o'clock.

The CHAIRMAN. All right, if there is no objection, the committee will adjourn until 2 o'clock and we will meet at that time and conclude the hearing.

(Thereupon at 12:25 p. m., the committee recessed until 2 o'clock p. m., same day.)

AFTERNOON SESSION

The CHAIRMAN. The committee will come to order.

We have with us this afternoon Mr. Johnson, representing the Farm Crops Processing Corp., which has been operating the Government-owned alcohol plant at Omaha. We will be very glad, Mr. Johnson, to have you go ahead and tell us something of your operations and also what opportunities you think there are in the field of processing farm crops for alcohol and similar products.

In other words, just proceed in your own way to give us your views on this situation.

STATEMENTS OF CECIL JOHNSON, REPRESENTING FARM CROPS PROCESSING CORP., AND J. L. WELSH, PRESIDENT, FARM CROPS PROCESSING CORP.

Mr. JOHNSON. Mr. Chairman, seated with me here is Mr. Welsh, the president of the company that operates that plant.

We will no doubt run into other things which will require collaboration from him.

The people that operate the Farm Crops Processing plant at Omaha are the people that brought to the attention of both the legislative branch of the Government and the executive branch the plight of the Nation with respect to rubber during the days prior to Pearl Harbor.

As a result of their presentation, the Senate undertook an investigation and an inquiry into the position of the Nation with respect to rubber and these men who constitute it, who constitute the direction of the Farm Processing Corp. took a great deal of the part in bringing

about a presentation of evidence that would show how dreadfully short of synthetic—short in all rubber this country was, and how imperative it was that we produce synthetic rubber for the war needs.

Extensive hearings were held under the chairmanship of Senator Gillette. That committee made conclusions out of which came an investigation by the Baruch committee, headed by Mr. Barney Baruch on behalf of the executive branch of the Government.

That committee recommended that there be constructed five plants for the manufacture of alcohol using grain, and they specified, in addition to that, they be located on navigable streams, that they be located in the grain-producing areas of the Middle West, and that they be operated by local citizens in the area where the plants were located, that they be operated as independent organizations.

The committee indicated that the synthetic-rubber program would require the construction of these plants and that further, the postwar economy in handling agricultural surpluses would be benefited very materially by the use of these plants.

As a result of those recommendations, the War Production Board took sponsorship of three Government alcohol plants, the one located at Kansas City, the one at Omaha, and the one at Muscatine, Iowa.

Those three were built. I mentioned sponsorship particularly because this morning it was indicated, I think by inadvertance, that those plants had been sponsored by the Department of Agriculture.

Sponsorship by the Department of Agriculture did not take place there until after the war when it was decided that the continuous operation of these plants was desirable for the production of high protein feeds.

The War Production Board therefore transferred its sponsorship to the Department of Agriculture and the sponsorship of Agriculture was related solely to the production of high protein feeds.

The Department of Agriculture was always reluctant in assuming sponsorship because with sponsorship comes a certain financial responsibility.

Initially, sponsorship meant that the sponsor agency would be required to come to Congress and justify any expenditures in connection with a plant if at any time a loss was realized by the Government, and of course the Department of Agriculture very understandingly did not want to assume the burdens of sponsorship.

Mr. FLANNAGAN. Well, the Government did not run these plants during the war?

Mr. CECIL JOHNSON. No, they were run by private industry but the Government constructed the plants.

Mr. FLANNAGAN. And then what arrangements did you have for getting private industry to run them?

Mr. CECIL JOHNSON. It was a leasing arrangement. There were changes in that arrangement from time to time. Generally it was on a cost-per-gallon basis. That was changed, as I recall, four different times by OPA. That data can be supplied to you.

Mr. FLANNAGAN. Since the war who has been running the plants?

Mr. CECIL JOHNSON. The plant at Kansas City up until June was operated by the National Distillers Corp.

Mr. FLANNAGAN. Did the government lease it to the National Distillers?

Mr. CECIL JOHNSON. Yes. And the plant at Omaha was run by the Farm Crops Processing Corp.; the plant at Muscatine was run by the Grain Processing Corp.

Mr. FLANNAGAN. What is the name of it, Farm Processing Co?

Mr. CECIL JOHNSON. Farm Crops Processing Corp.

Mr. FLANNAGAN. Who owns that?

Mr. CECIL JOHNSON. That is a corporation that was organized specifically to run this plant. It is an organization of business and farm interests in and around Nebraska and Iowa.

Mr. FLANNAGAN. How many owners?

Mr. CECIL JOHNSON. Oh, there are about 10 stockholders. I may be incorrect on that but there is a group of business and farm interests that operate it.

I am not speaking for the Muscatine people.

Mr. FLANNAGAN. What arrangements did they have?

Mr. CECIL JOHNSON. They have a lease arrangement.

Mr. FLANNAGAN. Now, the Omaha plant is leased by the Government to the Farm Crops Processing Corp?

Mr. CECIL JOHNSON. It is on an interim lease at the present moment and that lease, of course, really terminates if this offer of sale is accepted.

Mr. FLANNAGAN. What are the terms of the lease? What kind of a lease do you have?

Mr. CECIL JOHNSON. We have a lease at the moment with the Government employees. When we make beverage alcohol we pay them 2 cents per gallon.

When we make industrial alcohol we pay them 1 cent per gallon. They share 50-50 with us in the profits.

Mr. FLANNAGAN. Has it been a profitable undertaking?

Mr. CECIL JOHNSON. It has been an extremely profitable undertaking for the Government the last 7 months since this sharing of profits was consummated. I believe the Government rental out of the Omaha plant runs somewhere in the neighborhood of \$600,000 for that period of time.

Mr. FLANNAGAN. Well, what do the stockholders get out of it?

Mr. CECIL JOHNSON. The stockholders, so far as I know, have never been paid any cash dividends.

I think that is correct.

Mr. FLANNAGAN. Well, if they paid the Government \$600,000 and it was a 50-50 basis; the stockholders would have made an equal amount.

Mr. CECIL JOHNSON. That is right. This company—they have made money on the operation. I will say this—and I intend to bring it out more in detail—that the stockholders of this company have been vitally interested in the program of research for the utilization of surplus farm commodities and have themselves invested somewhere in the neighborhood of a half million dollars in the plant, in the Government property, without expecting any return from it, to carry on these several research activities and new-use programs.

Mr. FLANNAGAN. Well, do you mean that the stockholders have put up a half million dollars just for research?

Mr. CECIL JOHNSON. Research and other changes in the plant construction so that, for instance, they can handle great quantities of surplus potatoes and make sirup.

Mr. FLANNAGAN. Did they take that money out of their profits?

Mr. CECIL JOHNSON. That is right.

Mr. FLANNAGAN. Just plowed the profits back into it?

Mr. CECIL JOHNSON. That is right, They have plowed a large percentage of the profits back in as an added asset to the Government plant.

Mr. FLANNAGAN. How much did the stockholders put in initially?

Mr. CECIL JOHNSON. I cannot tell you exactly. I know that the outstanding stock right now is \$1,000,000.

Mr. FLANNAGAN. But how much did the stockholders put in?

Mr. CECIL JOHNSON. About \$100,000.

Mr. FLANNAGAN. One hundred thousand dollars?

Mr. CECIL JOHNSON. And, in addition to that, the stockholders personally went on obligations to operate that plant as high as \$20,000,000 at times.

Mr. ARNOLD. Are you qualified as a small-business organization?

Mr. CECIL JOHNSON. We are.

Mr. ARNOLD. And then borrowed from the RFC to start it?

Mr. CECIL JOHNSON. The company did borrow funds from the RFC for working capital.

Mr. ARNOLD. Has that been paid back?

Mr. CECIL JOHNSON. Every dime of it, and with interest.

Mr. FLANNAGAN. Well, now, you all want to take the plant over?

Mr. CECIL JOHNSON. Yes.

Mr. FLANNAGAN. And what offer did you make the Government to take it over?

Mr. CECIL JOHNSON. We are probably not in a position to comment on our several offers at this time. Congressman, would you mind if I answered that a little later on when I get into the point of what our offer constitutes?

Mr. FLANNAGAN. All right.

Mr. JOHNSON. Mr. Johnson, did they come out there and ask you to take the plant over or were you trying to build your own plant out there.

Mr. CECIL JOHNSON. We were trying to build our own plant. We even had our own finances arranged to build it but the Government indicated to us that we would not be able to build it without Government assistance both on priorities and finance, and therefore that the plant could just as well be a Government plant to start with.

Mr. JOHNSON. Did they not at first refuse to give you priorities, or did they?

Mr. CECIL JOHNSON. They did. At the time we first proposed to build it before the Gillette committee they indicated they would not give us any priorities whatsoever. It was through the ingenuity of these people that they went out and collected vast amounts of used materials and were able to construct a plant with 21 percent of the material under priorities.

As a result, of course there was a high replacement cost from time to time as the plant was operated.

That is one of the reasons why our rental basis does not now show quite as satisfactory as the Muscatine plant.

However, the Muscatine plant was built new 100 percent, out of new materials under priorities.

Mr. JOHNSON. Now, then, if you could have gotten priorities you would have gone ahead with the organization and built your own plant. Is that about true?

Mr. CECIL JOHNSON. That is right.

Mr. JOHNSON. And you would have gone on and financed yourselves without Government help?

Mr. CECIL JOHNSON. Yes, and I think we would have had the plant paid for today because we would have had either a certificate of authority to amortize that during the war period.

Mr. JOHNSON. And was it not your original program not only to build a plant but to make rubber during the time of the war?

Mr. CECIL JOHNSON. That is right.

Mr. JOHNSON. And was it not also your long-range view of utilizing the farm surplus products of any kind that might be converted into alcohol or rubber or anything else this country might need? That was what motivated the organization of your company; was it not?

Mr. CECIL JOHNSON. That is right, Congressman. Indeed, the record is so outstanding in that that I hesitate to tell of it, but it is adequately presented in a little leaflet which I am going to leave copies of for your consideration.

Mr. JOHNSON. We will be very glad to have it and I might say the reason I happen to propound these questions is that they are not premeditated. Maybe Mr. Johnson remembers in the early part of the war I was invited by Senator Gillette to sit on that committee.

I heard much of this question and I just want to bring it out as a matter of fact.

I know these gentlemen are too modest to bring out these facts.

It is my own initiative and my own thinking that prompted these questions.

Mr. CECIL JOHNSON. I thank the Congressman. I want to call the committee's attention to some things about the industry at the moment.

You will note that the principal bidders for these plants, both the Kansas City plant and the Omaha plant, are distillers of beverage alcohol and blenders and marketers of national brands of whiskies.

These plants today have two values. They have the physical value and they have the allocation value. The allocation value of these plants varies with regard to different users.

For instance, a distiller in the market today using nationally advertised brands can get a tremendous income out of grains that are made to these plants.

I might say that both the Muscatine plant and the Omaha plant, which are now operating, do have allocations. They are modest allocations. The Kansas City plant, not being operated today, does not have an allocation.

There is nobody in occupancy. The allocation value to a large distiller selling a nationally advertised brand of whiskey, of course, is tremendous.

Indeed, I have been told by several of them that if it were not for the allocation value they would never have considered bidding on these plants.

It leads me to believe, therefore, that their interest in the plants is solely one of acquiring the allocation.

There are other factors that make me feel that that is predominant.

I know considerable about the distilling business. I know that if you are to use surplus agricultural products that are in a deteriorating condition, that either have moulds on them or bacteria, it is very hazardous to bring them into a plant that is producing high quality beverage alcohol.

One, that reeks the quality of alcohol, and two, it is likely to interfere with the flavor.

It is my opinion that if these plants are primarily used over the long pull and purchased for the use of beverage alcohol that there will be very little, if any, surplus or deteriorating farm crops that go through them. One, the question of contamination, and that is a real problem in a distillery, contaminating the yeast and fermentations, and two, the question of the quality product that you turn out.

Now, when you make an industrial alcohol that is suitable for many uses you are not confronted with that problem.

I think it is rather significant in the case of the Kansas City plant that as soon as it was apparent that possibly there was going to be an adequate supply of grain after the war's end, that operator discontinued operating it and that operator happened to be a distiller and a big merchandiser of neutral spirits blended with whiskies.

I think that shows clearly that unless these plants are put into the right hands for future operation, and I believe that that means hands other than the beverage trade, that you are not going to run very much surplus in agricultural commodities through them.

Mr. FLANNAGAN. What do you run through them?

Mr. CECIL JOHNSON. Right today? We are running good grain.

Mr. FLANNAGAN. Well, that is just what you were speaking about.

Mr. CECIL JOHNSON. I realize that, Congressman, but we have run through, out there, a lot of damaged grain as well that would never have been permitted to go through an ordinary distilling plant. The same thing is true of potatoes.

Mr. FLANNAGAN. Well, the way the Government has been buying potatoes, evidently you have not put many potatoes through that plant.

Mr. CECIL JOHNSON. Well, Congressman, we used 113,784,904 pounds of potatoes.

Mr. FLANNAGAN. How many bushels is that?

Mr. CECIL JOHNSON. You have me, but it is probably about——

Mr. FLANNAGAN. That sounded like a lot of potatoes.

Mr. CECIL JOHNSON. It is 2,500 carloads, railroad cars, and we got those from, I believe, 27 States. I think the record shows that that is quite an accomplishment.

Further, Congressman, during the——

Mr. JOHNSON. Pardon me right there. Did they make most of those potatoes into alcohol or sirup?

Mr. CECIL JOHNSON. It was all made into alcohol, Congressman. Now, when it comes to producing sirup to relieve the sirup shortage of the Nation, when we were short on sugar, we processed 3,540,680 bushels of grain and produced 33,987,033 pounds of sirup.

I believe, for the first time, it was ever accomplished in an alcohol plant. At least, I think our record with respect to the Government operation of an alcohol plant on this phase is outstanding. I think I could seek verification from the Department right here on that story. Is that not right?

Mr. WYCOFF. Yes.

Mr. JOHNSON. One more question. Is the object of the formation of the Farm Crops Processing Corp. basically to go into the commercial business to manufacture alcohol or for what other purpose?

Mr. CECIL JOHNSON. Our charter indicates clearly that we had the production of alcohol in mind, the utilization of farm surpluses for whatever market we might be able to find for them, also for the production of feeds and the recovery of corn oil in the distillation process using corn and various other things.

Mr. JOHNSON. In other words, basically you were interested in the welfare of agriculture?

Mr. CECIL JOHNSON. That is right.

Mr. WORLEY. Are you a nonprofit corporation?

Mr. CECIL JOHNSON. No; our corporation is a profit corporation.

Mr. GOFF. Just a minute, Mr. Chairman. There is one question. You referred to the use of farm surpluses and that usually they were either moldy or in a sour condition?

Mr. CECIL JOHNSON. Oh, no, I did not mean to infer that, Congressman. It is frequent, though, that surpluses, because of lack of storage facilities and because of lack of processing facilities do become moldy or deteriorate. That is particularly true of the more perishable varieties.

Mr. GOFF. Of course, I can appreciate that at a time like this we do not have the surpluses that we have in normal times. However, when the world gets caught up on the matter of food production, we can assume the time will come when some of our finest wheat and grains will be surplus.

Mr. CECIL JOHNSON. Yes; and at that time, because of the lack of storage facilities and other conditions, that grain will be going out of condition.

For instance, grain sorghums is a very difficult commodity to store. We have had experience in using—I think we had 1,000 carloads of grain sorghums on wheels at one time. We were responsible at a time when the tremendous surplus in grain sorghums in Texas was taking the market down, I think it depressed it over 50 cents a bushel or rather more than a dollar a hundred, and we moved into the market quickly. It was the first time grain sorghums had ever been used in an alcohol plant of this character and we immediately, within less than a week's time, just moved the market right back up and the farmers of Texas benefited.

Mr. GOFF. I can understand that, and I can also understand that when they do become surplus, then even the finest commodity is of so little value that you cannot afford to use valuable storage for it.

Mr. CECIL JOHNSON. That is right.

Mr. GOFF. Thank you.

Mr. CECIL JOHNSON. Now I want to refer again to the difference in allocation values.

These three Government plants are without blending facilities for the blending of alcohol with whisky and they are without storage facilities, so obviously the great value of these plants right at the moment would be to a distiller that has these facilities and that has a nationally advertised brand of whisky that he wants to maintain on the counters of all the retail trade.

We do not have in that plant at Omaha that hidden value to us. That value in that plant to us is merely as it was originally conceived, the supplying of alcohol to the commercial markets and the use of surplus agricultural commodities.

I say that, because if you will remember, sir, the evidence indicates that the great value of these plants is to the merchandisers of blended whiskies.

Now, you have pending soon before Congress a synthetic-rubber program.

I understand that within the next several weeks the Armed Services Committee will present a synthetic-rubber program.

One of the indications is that alcohol butadiene—at least two of the plants be maintained in stand-by condition.

Two of those plants used a lot of grain alcohol. It is difficult for me to conceive how it would be possible to fully consider a synthetic-rubber program without considering these grain-alcohol plants.

It can be said, of course, that alcohol can be obtained from petroleum and ultimately, possibly, from alcohol.

But during the war it was from grain that about 70 percent of the synthetic rubber came.

Mr. FLANNAGAN. Right there, you said they were going to bring in a synthetic-rubber program.

Will those plants be Government-owned and operated?

Mr. CECIL JOHNSON. I presume so, Congressman.

Mr. FLANNAGAN. If that is true, why should not the Government keep this old plant to furnish those synthetic-rubber plants with alcohol?

Mr. CECIL JOHNSON. Congressman, that is my point. At least I think that it warrants consideration in connection with the other phase of the rubber program.

Mr. FLANNAGAN. I mean if the Government is going to embark upon a rubber program, while you have the plant that makes the raw alcohol you should keep it. Why should not the Government keep this plant?

Mr. CECIL JOHNSON. I believe they should.

Mr. FLANNAGAN. They could use it in connection with their synthetic-rubber plan.

Mr. CECIL JOHNSON. I believe they should. We have bid to purchase these plants, but I think the public interest would be better served if ownership of these plants was retained by the Government until at least both the synthetic-rubber program had crystallized and a long-range agricultural program also.

Mr. WORLEY. You say that the Armed Services Committee will bring in certain recommendations on the synthetic-rubber program?

Mr. CECIL JOHNSON. Yes.

Mr. WORLEY. Do you know what recommendations they will be bringing in?

Mr. CECIL JOHNSON. The Armed Service Committee have been holding hearings and it is a controversial subject as you well know.

It is wrapped up with international supplies of natural and synthetic rubber and the production of it.

Mr. WORLEY. You do not know yet what the suggestions will be?

Mr. CECIL JOHNSON. I do not think the committee knows.

Mr. WORLEY. You think we ought to wait until after they do that?

Mr. CECIL JOHNSON. It would seem to be the wise course to wait. I know Congressman Crawford, who is an authority on synthetic rubber, I think would contribute considerably and concur in that statement.

Mr. FLANNAGAN. Mr. Johnson, I notice here the National Distillers Products Corp. is offering \$3,210,000. When does that offer expire?

Mr. CECIL JOHNSON. That offer expires on February 17, I believe. It would certainly seem to me that both the Kansas City plant and the Omaha plant should not be sold until we know (1) what our synthetic-rubber program is going to be and (2) some kind of a long-range agriculture program. I want to touch on this long-range program, long-range agriculture program, in a minute.

Mr. JOHNSON. Will you pardon me? Was not that one of the fundamental reasons why this company started, that they wanted to begin making synthetic rubber from alcohol during the war and one of the principal motives of that?

Mr. CECIL JOHNSON. Those were the purposes for the building of the three plants.

Now, then, I want to get into this long-range agriculture program because it might look to the Government, particularly to the War Assets Administration, because it is charged with the responsibility of disposing of these plants, as though it would be financially advisable for the Government to sell these plants now when they can sell with them the price of an allocation. I think that would be shortsighted. I would like for you people to look with me into the cost picture of handling agricultural surpluses.

Mr. HOEVEN. What is this allocation worth to these purchasers?

Mr. CECIL JOHNSON. I do not know but it is worth a lot of money.

Mr. HOEVEN. Someone suggested \$3 a bushel. Could that be possible?

Mr. CECIL JOHNSON. I would not know, but the sky is the limit, I think.

Mr. FLANNAGAN. Would the allocations be worth as much to your company?

Mr. CECIL JOHNSON. It would be worth nowhere near to our company what it is to them. We do not have storage or blending facilities or marketing facilities to market a blending whisky.

Mr. FLANNAGAN. What do you figure it is worth to your company, the allocation for wheat?

Mr. CECIL JOHNSON. We would figure the problem (1) of the returns after we had paid for maintenance, taxes. It would be worth something, Congressman; I cannot tell you how much; that is not my phase of it.

Mr. FLANNAGAN. Before you get into that, I would like to know a little bit about the financial structure of this corporation. Now, the plant cost the Government \$5,500,000. How long has your company been operating, Mr. Johnson?

Mr. CECIL JOHNSON. Since 1944. We built the plant and operated it, practically. We took over the construction job. We did not charge the Government a dime for the engineering work that we did in constructing the plant.

Mr. FLANNAGAN. And you put a hundred thousand dollars into it?

Mr. CECIL JOHNSON. That is right.

Mr. FLANNAGAN. And that is all the money your company has put into it?

Mr. CECIL JOHNSON. Except the personally going on notes and obligations up to about \$20,000,000.

Mr. FLANNAGAN. And you have paid the Government 50 percent of the profits?

Mr. CECIL JOHNSON. We are paying the Government 50 percent of the profits on our present lease basis.

Mr. FLANNAGAN. Now, when did that start?

Mr. CECIL JOHNSON. That started, I think, April 1.

Mr. FLANNAGAN. April of last year?

Mr. CECIL JOHNSON. Yes.

Mr. FLANNAGAN. And since April of last year 50 percent of the profits have amounted to around \$600,000 you have paid the Government?

Mr. CECIL JOHNSON. That is about what it is going to amount to.

Mr. FLANNAGAN. And the 10 stockholders have made a like amount. \$600,000?

Mr. CECIL JOHNSON. Well, Congressman, in order to be fully frank with you, I can tell you about what the capital represented, what that hundred thousand dollars has ripened into for these stockholders. I think that our financial statement out there now would show a net worth, including the capital investment, of somewhere between a million two hundred thousand and a million and a half dollars.

Mr. FLANNAGAN. And the hundred thousand dollars has grown into \$1,200,000?

Mr. CECIL JOHNSON. I think about that.

Mr. FLANNAGAN. And yet you only offer the Government \$500,000 for the plant?

Mr. CECIL JOHNSON. Oh, no, Congressman.

Mr. FLANNAGAN. Well now, just a minute. Plus 4 cents per wine gallon on beverage alcohol and 1 cent per gallon on industrial alcohol.

Mr. CECIL JOHNSON. That is right.

Mr. FLANNAGAN. And you have spent on improvements of the plant around half a million dollars?

Mr. CECIL JOHNSON. That is right.

Mr. FLANNAGAN. And that was just profits plowed back in?

Mr. CECIL JOHNSON. That is right.

Mr. FLANNAGAN. Well, if you have spent all that money on improvements, is not the plant in as good condition today as it was when it was built?

Mr. CECIL JOHNSON. Well, I doubt that. The appraisal report does not indicate that.

Mr. FLANNAGAN. I understand that, but that is a fact, is it not? If you have spent all that money on upkeep that plant is practically as good today as when it was built?

Mr. CECIL JOHNSON. Congressman, a good share of that half million dollars has been spent in research in the development of new processes and so forth.

Mr. FLANNAGAN. And the plant is in good shape and it would cost more to build it today than it would when it was put up in 1944?

Mr. CECIL JOHNSON. I think that is right.

Mr. FLANNAGAN. And the cost is over six and a half million dollars, then?

Mr. CECIL JOHNSON. Yes.

Mr. FLANNAGAN. It would cost about 10,000,000 today and you are offering 500,000 for that plus 4 cents on beverage alcohol and 1 cent a gallon on industrial alcohol, and you contemplate paying that yearly out of your profits?

Mr. CECIL JOHNSON. That is right, Congressman.

Mr. FLANNAGAN. And you would wind up with this \$10,000,000 dollar plant with an investment of \$100,000 plus the \$500,000 you paid in, or \$600,000?

Mr. CECIL JOHNSON. I think, Congressman, some of your assumptions need to be tempered a little with the knowledge that about 79 percent of this plant was built with used materials and we had to go in and replace those to put the plant in operating condition.

Mr. FLANNAGAN. Well, that has all been done.

Mr. CECIL JOHNSON. Yes, I know; but you see, you are going from 6,000,000 to 10,000,000 here without deducting anything and without deducting appreciation.

Mr. FLANNAGAN. Well, I mean the cost was \$6,000,000 back in 1944 and in all probability it would cost eight or more today.

Steel has gone up.

Mr. CECIL JOHNSON. Congressman, I think you could replace the plant with entirely new materials for under \$5,000,000 today.

Mr. FLANNAGAN. Under the present material market?

Mr. CECIL JOHNSON. I am convinced that that is true.

Mr. FLANNAGAN. Somebody must have done some pretty bad buying back in 1944 because the market today is nothing like it was then. The market was not nearly as high in 1944 as it is today.

Mr. CECIL JOHNSON. I agree with you. If we had had the opportunity to have both new materials in 1943 to 1944 that plant could have been constructed for a great deal less money.

The CHAIRMAN. You did not get any priorities on it?

Mr. CECIL JOHNSON. We got 21 percent, approximately.

Mr. JOHNSON. Was not that just used junk, machinery and so on?

Mr. CECIL JOHNSON. We even had to go to Texas and take down oil tanks and bring them back and refabricate them to make vats and so on.

Mr. FLANNAGAN. Well, the Government paid for all that?

Mr. CECIL JOHNSON. Yes; that is in the cost.

Mr. JOHNSON. May I ask you a question: What is your capacity in alcohol?

Mr. CECIL JOHNSON. We consider the capacity about 35,000 gallons a day.

Mr. JOHNSON. And that is either in commercial alcohol or beverage?

Mr. CECIL JOHNSON. That would be beverage alcohol. We could produce a larger quantity than that on commercial alcohol. If you would like to hear me present a story about surplus agricultural products now, I would be glad to do so.

The CHAIRMAN. Yes; we will be glad to hear from you on that point.

Mr. CECIL JOHNSON. I am going to rely upon data here that came principally from the Department of Agriculture, some of which was presented to the Senate Committee on Agriculture on May 14, 1946, by Under Secretary Dodd.

At that time he indicated that prior to the war, for corn, an average of about \$150,000,000 a year was paid to commercial corn producers

for adjusting acreage under the corn allotment and price support programs.

In other words, the surplus conditions then existing required them to handle about \$150,000,000 for effecting the adjustment in production and maintaining the price supports.

Now, since that time, technological advances in the production of corn have increased our know-how to the point where I believe it would take a good deal more than \$150,000,000 a year to handle the adjustment work when we get to this surplus period and when our European and Asiatic markets are no longer with us.

That might be not too far off. Now, then, Under Secretary Dodd then indicated that had we had an industrial alcohol program the cost of those prewar programs could be handled at about one-half that it did cost.

In other words, there, instead of \$150,000,000 by making adjustments in acreage and handling the price support activity it could have been handled through industrial alcohol for about \$75,000,000.

Mr. FLANNAGAN. Well, right there, did Dodd contemplate the Government producing industrial alcohol?

Mr. CECIL JOHNSON. He contemplated funneling corn into industrial alcohol and the industrial alcohol going for synthetic rubber, fuels, and the many other uses that there are for industrial alcohol.

Mr. Flannagan. Well, did we not have industrial alcohol plants at that time?

Mr. CECIL JOHNSON. Prior to the war we had only the capacity for about 100,000,000 gallons, approximately, a year.

Mr. FLANNAGAN. How about consumption?

Mr. CECIL JOHNSON. There would not be anything to compare with the demands that would have been required to have handled the surplus problem.

Mr. FLANNAGAN. No; why did we not have more plant capacity if there was such a demand for alcohol?

Mr. CECIL JOHNSON. We had no synthetic rubber program.

Mr. FLANNAGAN. Then the synthetic rubber program has brought about the demand for alcohol.

Mr. CECIL JOHNSON. A tremendous lot of it, and further, we did not have jet-propelled weapons or mechanized equipment and that requires industrial alcohol.

Mr. FLANNAGAN. Well, of course, we know the processing plants would be put up to handle this surplus grain if there was a market for alcohol. It looks to me, in view of the statement, that the committee is going to bring out a bill putting the Government back into the production of synthetic rubber.

Mr. CECIL JOHNSON. I can tell you the feeling of the rubber industry as I listened to it.

Mr. FLANNAGAN. Well now, if that is true, if the Government is going to get back into the production of synthetic rubber, then it looks to me as though it is just tomfoolishness for the Government to dispose of the plants that are producing industrial alcohol.

It certainly looks to me as though they ought to hold on to the facilities they already have.

Mr. CECIL JOHNSON. I think that is right, Congressman. I am going to tell you the attitude of the big tire makers. They feel that they could buy alcohol from petroleum cheaper than from grain and

they do not want to have to bear the burden of an alcohol program from grain if they can buy it from petroleum cheaper. Today they probably can buy it from petroleum cheaper, providing the petroleum industry is in a position to furnish an adequate amount of alcohol or is in a position to put up the new facilities and divert petroleum from other uses to rubber.

I think that is quite a long way off. I think in the meantime these plants can be usable, and particularly so if we have some surpluses come along. I think that they should be used.

Now, I believe that the way to handle it so that a certain amount of grain is used for synthetic rubber is to permit these plants to produce alcohol, to sell it at the same price that the petroleum people get for theirs, and charge the difference, if there be a difference, up to our agricultural program.

I will tell you why that feeling exists. That is because you can handle such a program a good deal more economically than you can go out and adjust acreage or use other types of price supports.

Now, the farmer is the biggest per capita user of rubber in our economy. It is reaching the point where almost every vehicle is on rubber.

I think he ought to have some consideration, too, in the rubber program, that is, grain ought to make some of that rubber, especially when it is in surplus.

The only reason that petroleum alcohol might be cheaper than grain alcohol is because they can reach in the ground and pull out the petroleum without cultivating it and without paying the taxes on the vast acreage and the other overhead that is inherent in the production of grain.

Mr. FLANNAGAN. Well, what is the difference in the cost of production between petroleum alcohol and grain alcohol?

Mr. CECIL JOHNSON. As near as I can find, it would run in terms of surplus grain, somewhere between 6 and 12 cents a gallon.

Mr. FLANNAGAN. When you speak of surplus grain; what do you mean?

Mr. CECIL JOHNSON. Thinking somewhere in the neighborhood of 75 cents to a dollar a car. That difference to me is very little if it will take care of our surpluses, and I am quite sure it will.

I have had something to do with these surpluses. I worked for 11 years, from 1933 on, in the Department of Agriculture and I recall how we wrestled with those surplus problems and how we were trying to seek out every means possible.

So when Undersecretary Dodd brought out these data, I was all for it. In other words, I think that a plant similar to the one at Kansas City would save the Government probably 4 or 5 million dollars a year by producing alcohol rather than to spend the 4 or 5 million dollars additional in adjusting production and maintaining other price supports.

Now, if we can realize 4 or 5 million dollars a year out of the Kansas City plant and a much greater amount out of the Omaha plant, it certainly looks to me like it is shortsighted to take a monetary advantage from allocations now.

Mr. FLANNAGAN. What are you doing with your present production of alcohol?

Mr. CECIL JOHNSON. Right now our output is so small out there, but we are selling it to rectifiers that undoubtedly are using some of it for beverage purposes.

Mr. FLANNAGAN. Well, what are you producing out there?

Mr. CECIL JOHNSON. We are producing a very small quantity of high quality alcohol that is suitable for any purpose that you can think of.

It is 190-proof.

Mr. FLANNAGAN. Are you having any trouble disposing of it?

Mr. CECIL JOHNSON. I should say not. If we could get allocations we could run that plant 100 percent of the time, full blast.

Mr. FLANNAGAN. Well, now, that is during the time when you do not have any surplus?

Mr. CECIL JOHNSON. That is right.

Mr. FLANNAGAN. All right; now, when you have got a surplus what will your production be?

Mr. CECIL JOHNSON. Then I think your alcohol has got to go into synthetic rubber. It has got to go into fuel. It will have to go into plastics and paints and various other fields.

Mr. FLANNAGAN. And you have got to buy that grain at a distress price and then have a Government subsidy on top of it in order to compete with the petroleum?

Mr. CECIL JOHNSON. It might be necessary. I do not know that it is necessary, but indeed, it seems to me like it is good economy not to sell these plants at this time but to wait until there is a synthetic rubber program before the Congress and it is more or less determined whether or not, as Congressman Andresen said this morning when he referred to the national defense problem, certainly I think it would be foolish to sell these plants now.

Then I think further, this long-range agricultural program has a very direct relationship to this disposition handling of these plants.

Mr. JOHNSON. Is there not a likelihood also that in maybe another couple of years or 3 years, or maybe before that, we will be far more distressed with the shortage of petroleum products than we are today?

Mr. CECIL JOHNSON. Yes.

Mr. JOHNSON. That is coming and maybe we are going to need this alcohol capacity.

Mr. CECIL JOHNSON. Yes; I think that the record of those plants out there—now, the record of Muscatine and the record of Omaha stand out far above the record of the one at Kansas City.

I do not state that as a reflection against the wartime operators, National Distillers, although I do believe that the operators at Omaha and Muscatine, being planted right there in the soil and having full knowledge of the impact of surpluses, were much more anxious to develop a long-time use for these plants than were the other operators.

That is just my own personal feeling, and I think that would continue from now on out.

Indeed, I think if War Assets were to sell these plants to distillers, I have not very much doubt but what they would be either made inoperative or probably junked as soon as this allocation matter is terminated.

I think Mr. Welsh here is better acquainted with what we have done out there in using surplus grains than I am. He can tell you of the market response for sprouted wheat and the phenomenal record

we attained through the use of sprouted wheat as well as many other commodities.

I do say that if the objectives that are set forth even in the opening of the act disposing of surplus property are followed, I do not believe those plants will be sold.

I realize that the War Assets Administration are, sir, anxious to get out of business and they are anxious to establish a record of getting a high return for these properties, and I commend them for it, but I think that is a short-sighted policy.

I feel it would be very much against the public interest to do so.

Mr. ARNOLD. Mr. Johnson, does natural rubber enter into the picture as a competitor if we adopt this Marshall plan? Would we have to take the natural rubber to get paid for stuff we send to European countries?

Mr. CECIL JOHNSON. Beg pardon?

Mr. ARNOLD. Is natural rubber a competitor now?

Mr. CECIL JOHNSON. I can only say this: If it was not for our synthetic-rubber program I believe we would be paying four or five times the amount we are now paying for natural rubber.

I think that synthetic rubber must be maintained in the picture in this country, and I think a certain portion of it should be made out of grain, especially surplus grain, or other fermentable products.

I think that the reason we are paying low prices for synthetic rubber today is because of the work that was done when we brought out the need for these plants.

I think that part of the value can be charged to these plants.

Mr. ANDRESEN. Will you yield for a question?

Mr. ARNOLD. Yes.

Mr. ANDRESEN. Are you of the opinion that we would find ourselves in the same situation as is now apparent with cocoa and pepper, where we do not produce any of that stuff here and a certain cartel in this world producing that charges us seven prices for it?

Mr. CECIL JOHNSON. Congressman, I do not think there is any question about it. You know what happened after World War I.

I think I recalled the price of natural crude went up to something like \$1.26 a pound. It is now about 25 cents or 26 cents.

I do not think there is any question about it.

The CHAIRMAN. Mr. Fuller has a question.

Mr. FULLER. Can I ask you a question right there? What does it cost you a pound to produce alcohol for synthetic rubber?

Mr. CECIL JOHNSON. I think we figure we can produce about 6 pounds of—what is that, Mr. Welsh?

Mr. WELSH. I am primarily in the grain business. I would like to give you just a little of the facts about the actual production about farm grains.

All grains contain starch and we make the alcohol out of the starch alone. A 56-pound bushel of grain has about 33 pounds of starch. That 33 pounds of starch will make $2\frac{3}{4}$ gallons of 190-proof alcohol.

That in turn will make about 6 pounds of butadiene and 6 pounds of butadiene will make about 6 pounds of rubber, which is about the rubber in one ordinary automobile tire.

So you can see from that that the starch that is in one bushel of grain, approximately 33 pounds, can end up in approximately 6 pounds of synthetic rubber.

Mr. FULLER. Yes, but in cost, what does that figure out in comparison with your imported rubber?

Mr. WELSH. Our cost today, as a result of these extremely high prices due to the shipment of grains over the world, it is now competitively at a very much higher level than before but I think our synthetic rubber would cost more or less the same as natural rubber in this country, about 25 cents a pound.

Mr. FULLER. Originally it was around fifty-some-odd cents, was it not?

Mr. WELSH. You understand, we are not making synthetic rubber. We are making the alcohol and that is my understanding, that it is that that is bringing the competition down, and I think, gentlemen, you should also take into consideration this program, the cost of the program to the taxpayer, must be computed on the basis of what it would cost us if we had no synthetic rubber in this nation today and the price of natural rubber was advanced to the price it advanced after World War I, which is approximately \$1 a pound more.

That is \$2,000 a ton.

On our domestic requirements normally of 6,000 tons, that would be about \$2,300,000,000 a year more that we would be paying for natural rubber today if we did not have synthetic rubber for competition.

In other words, the saving on synthetic rubber alone in competition with natural rubber, in our opinion, is providing us with ample funds to carry on all the research and all the necessary work to build our long-range farm program. Now, I presume you gentlemen—

Mr. FLANNAGAN. Before you leave that subject, I want to ask you a question. Say you get enough synthetic rubber out of a bushel of wheat to make an automobile tire and you just use the starch in the wheat, some 30 pounds.

Now, what is done with the rest of it?

Mr. WELSH. It is quite obvious that in the residue that is left after you take out the starch must remain all the food value that was in the bushel of grain in the first place except the starch and it is estimated that there are 10,000,000 tons of starch wasted by over-feeding that in our Nation.

Mr. FLANNAGAN. Does it make pretty good feed?

Mr. WELSH. It makes the finest in the world. It is possible to recover about 10 pounds from the residue of high protein feeds.

Ten pounds of these is solubles and 10 pounds is insolubles. The insolubles run about 25 or 26 percent protein and the solubles up to around 32 percent protein.

It is a very valuable food and personally I think that 10 pounds of solubles will some day be human food that is recovered.

Mr. FLANNAGAN. What happens to a bushel of corn?

Mr. WELSH. Exactly the same thing. The recovery is almost identical to that of sorghum grains. I purchased most of the grain that this plant used during the war, because I was primarily in the grain business and that was the reason I was asked to join the formation of this company that built the plant.

During the time that we were purchasing grain for the Government operation of this plant during the war, we experimented on all different types of off-grade grains that we could find throughout the Nation.

That was my job. We got sprouted wheat out of Indiana and Minnesota and Montana one year when it was as much as 100 percent

sprouted and called by the Government unfit for human consumption and to our surprise, that made more alcohol than No. 1 hard wheat, the choicest wheat.

So we went to work to try to find why that was true and we found out that the sprouting of that grain created an enzyme that changed starch to sugar and we produced more alcohol from that and had just as much residue.

We went into the Southwest when they were distressed with the big movement of sorghum grain when the price was way down and we started buying the sorghum grains in the Dallas and Fort Worth markets when they were selling at tremendous discounts.

We shipped that grain because it was impossible to get it unloaded down there and cooled.

Some of it was difficult to get unloaded but that also made more alcohol than No. 1 grain.

We took all kinds of corn that had damaged in the crib. Some of it was 50 or 60 or 70 percent damaged as a result of the immature corn.

The frosted wheat: We got some of that even out of Canada during the war.

One hundred percent of it made alcohol. We have run through our plant at one time five different kinds of grain at once and made alcohol to experiment with whether or not it could be done.

When you get into the potatoes, I think there has been too little stress put upon the value of research.

Congressman Flannagan, you mentioned the fact that we might not compete with other sources.

But if we can by research recover an added value to these byproducts that we are recovering, that we feel satisfied we can recover, we can in turn lower and lower the cost of production of alcohol.

I think that is one of the very important things that we must keep in mind and I think one of your Congressmen here is from the South, where you have surplus of sweetpotatoes.

I do not think I am at liberty to give out the information now, but there is research going on that may completely eliminate the necessity of shipping the potatoes long distances across the country and paying freight on 78 percent of water that is in the potatoes.

In other words, they can separate the starch from the water in the potatoes at a very cheap figure.

That is under research now and I think you will find it will be available very soon.

When that time comes they will not have to ship 78 percent water and 22 percent starch.

Mr. CECIL JOHNSON. The Irish potatoes are handled the same way as sweetpotatoes.

Mr. JOHNSON. Do you not think it is a great possibility, and I mean a great possibility, if we are compelled to go back to synthetic rubber, and I think we should always have an available synthetic manufacturing supply, with the adoption of the little known butylene glycol operation instead of butadiene.

Now, I only know of one plant—and that is a small pilot plant—operating today. They have been operating this plant and working in it for 2 or 3 years.

I talked with the foremost man on that not so long ago and I asked him if they were able to maintain a production of 7 pounds.

Now, a pound of butylene glycol, to my understanding, is equivalent to a pound of butadiene.

Now, I asked him if they were able to maintain—theoretically they hoped to get, a couple of years ago, 7 pounds of butylene glycol as compared with between five and a half pounds of butadiene.

He told me not so long ago we were not only right but they are producing that constantly in this plant.

Now, there is a cheaper source of synthetic rubber. With the carrels going on, I cannot see how we can do anything but maintain these plants.

Mr. WELSH. Mr. Chairman, if I may also go into the fuel end of this, that I think is extremely important for the future, we all know that in the past our fathers and forefathers produced their own power on their own farms by feeding the grain they produced through the animals and created the power by which they ran their farm.

I firmly believe that the time is not very far away when the farmer will be forced to use the power that he can create from his own grain that he raises on his farm for fuel for his tractors, trucks, and combines.

I realize that is a little controversial now, but we all most certainly know that the alcohol that is placed in gasoline adds octane to the gasoline.

There is a serious question now among the petroleum people—I think they would verify that if you had them before you—whether or not they can produce the high octane that is going to be necessary for the immediate future, regardless of the consideration of a war.

One percent of 190-proof alcohol added to gasoline adds approximately one octane.

Another 10 percent of alcohol adds 10 percent of octane to the gasoline.

So that alcohol is a fuel and we must in the future find some means of using it.

Mr. FLANNAGAN. What is the octane content of good gasoline now?

Mr. WELSH. Well, I think this ethyl alcohol now is around 78 percent.

I know there is a proposal to make a high octane for the motor cars of the coming year, 1949, up to 89 octane.

The petroleum people themselves are fearful that they cannot produce the requirements of high octane.

Mr. FLANNAGAN. Seventy-eight percent of alcohol added would produce 78 octane.

Mr. WELSH. Yes.

Mr. CECIL JOHNSON. I would like to stress this research thing that Mr. Welsh brought up a little. At the time we started this program, you did not have your research and marketing bill that came about last year and it is really just being implemented this year.

Therefore, we thought that as long as the Government had helped us make a little money we ought to spend some of it for research. So we undertook to make grants available to Kansas State College and Nebraska University and Colorado State College and Iowa State College and we made a considerable sum available; and we employed some of the top technicians in the country and brought them to Omaha and elsewhere to work on this surplus removal program.

We were the first alcohol plant in the United States to use fungal amalayses, the thing that you heard this morning that the research department referred to as a possibility of reducing the costs of alcohol production.

We have developed fungal amalayses in submerged cultures and have used them in plant scale operation at Omaha.

We did that even when we were more or less criticized for not taking the more conventional processes that had been used by the beverage people, because the Government felt that we might run into some difficulty in producing adequate supplies of alcohol. However, it turned out the reverse. Our first application of fungal amalayses into the yeasting operation made it possible to cut the cost of alcohol produced during the war by use somewhere around 4 cents a gallon.

Our record on production of alcohol will show that we produced it at Omaha cheaper than any other plant in the United States.

Our record there is phenomenal. We saved the cost of the plant several times over, to the Government, by the savings that we were able to effect by applying research that we ourselves conducted.

Now, those facts are well established and are presentable to those who would visit our plants. Indeed, the Peoria Research Laboratory did send some investigators to our plant to look it over.

We found they had some tricks they knew about fungal amalayses, so we hired them and that way we were able to really go to work and produce alcohol.

We know of a lot of other research problems that we have been working on that might cut the cost of alcohol considerably.

We went out to Colorado State College and had them work upon the human nutrition side of distillers' solubles and indeed they have done some fine work there.

They have made some fine products out of using distillers' dried solubles.

At Kansas State College, we had them work with us on fungal amalayses, and so it is that we went into the research program ourselves, spending some of our profits, rather than to ask, as would ordinarily be the case, the Government to do it.

After all, we felt the Government was helping us. We have undertaken such things as continuous processing of agricultural commodities through the plant, instead of batch processing.

We were able to effect savings there. We were able to discover processes of using what we call the distillers' heads, the top portion of the fermentation process in recovering more alcohol.

All of those things we have done at that plant. In handling syrup and those grains, and so forth, that benefits the entire industry. Most of the surplus problems have come with respect to grain sorghums, wheat and potatoes where our plant is ideally located to do that work.

We can bring in the surplus potatoes from Minnesota, the Red River Valley, Nebraska, and we can bring in the grains from North Dakota, South Dakota, Nebraska, Kansas, Oklahoma, and Texas.

Mr. FLANNAGAN. What do you have to pay for surplus potatoes?

Mr. CECIL JOHNSON. Well, Congressman, I remember quite a batch we bought for \$1.29 a hundred and then there were lots of others that went on down.

It depended upon what the use was that we put it to.

Mr. FLANNAGAN. What was the average cost of surplus potatoes?

Mr. CECIL JOHNSON. About \$1.20 or \$1.15; so I am advised, a hundred pounds.

Mr. ANDRESEN. Did you not get some potatoes as cheap as \$5 a carload?

Mr. CECIL JOHNSON. We may have had a few; I do not know.

Mr. ANDRESEN. Some of the other plants did?

Mr. CECIL JOHNSON. Well, we did not get it. It was amazing to me how some of that was handled because we were paying the top and there were other outfits that were not paying top.

I am not inquiring into that mechanism at the moment but it did disturb us.

Mr. FLANNAGAN. Was your operation, so far as potatoes were concerned, a profitable one?

Mr. CECIL JOHNSON. At \$1.29 I would say it was not. We had potato alcohol running out of our ears, literally speaking, and I think we had it on hand for quite a long while.

We lost money on our potato alcohol operation.

We paid too much for the potatoes.

Mr. FLANNAGAN. What can you pay for potatoes and come out with a profit?

Mr. CECIL JOHNSON. Well, I would think that if this new process that Mr. Welsh and I have knowledge of but do not want to reveal, will make that potato situation altogether different and instead of paying a high freight cost on water, if we pay it solely on the starch we will really be able to bring relief to the potato growers.

Mr. FLANNAGAN. But at present it is not practicable to put potatoes into alcohol?

Mr. CECIL JOHNSON. I think that is right, Congressman.

Mr. HOEVEN. Well, it is if you get it cheap enough?

Mr. CECIL JOHNSON. I think that is right, but I mean the potato market today is two or three dollars a bushel.

Mr. HOEVEN. I would like to know why he did not get some of these \$5 potatoes?

Mr. ZIMMERMAN. I think we ought to remember that a lot of potatoes were dumped and rotted.

Mr. HOEVEN. Yes, but this man perhaps was willing to pay \$5 a carload for those potatoes.

Mr. ZIMMERMAN. Do you not think it would be an economic saving for the country to get the alcohol at some price rather than have the potatoes rot and get nothing for them?

Mr. HOEVEN. I would rather have them converted into alcohol at \$5 a carload.

Mr. ZIMMERMAN. Yes.

Mr. CECIL JOHNSON. It was \$5 plus freight, I understand, and in some places from Pennsylvania the freight to Omaha would have been worth more than paying \$1.29 a hundred for them.

Mr. FLANNAGAN. Well, tell me this. Do you find a market for potato alcohol?

Mr. CECIL JOHNSON. Well, not in this country. You know, for beverage purposes potato alcohol does not go too good here.

First, the labeling requirements on the bottle require it to be indicated that it is from potato alcohol and potato alcohol is what we call vodka, and that is good for Russians but not apparently accepted very broadly in this country.

Mr. FLANNAGAN. You were saying that you just got loaded up on potato alcohol. Running out your ears, I believe you stated.

Mr. CECIL JOHNSON. Yes, we disposed of it for antifreeze and other things; ultimately. It works very good for that market but well, when you pay \$1.29 for it you have to have the high-priced market and that is beverages.

Mr. HOEVEN. Can it be used for medicinal purposes?

Mr. CECIL JOHNSON. It is excellent for medicinal purposes.

Mr. GROSS. But you say it is better for radiators than for liquor?

Mr. CECIL JOHNSON. They tell me you cannot distinguish the difference when you drink straight potato alcohol or grain alcohol.

I have never taken the grain.

Mr. GROSS. I was just wondering how it compared with for instance with hard cider. Some of it has more of a scratch in your throat.

Mr. CECIL JOHNSON. Now, our proposal, and obviously you wonder why we got a bid in under small business, well, obviously we cannot afford to pay \$2,300,000 for this plant on our financial structure at the present time. We have not that much money and I do not suppose anybody would want to loan it to us. I do not think the War Assets people or RFC would be too happy to work along with us.

The reason they can pay \$3,200,000 is probably there is \$1 million or \$2 million that represents an allocation profit that will not cover us.

Now, then, we have a \$500,000 cash proposal.

Mr. FLANNAGAN. Why will not that allocation money come to you?

Mr. CECIL JOHNSON. Simply because the full profit would never be realized to us. We have got to have storage, blending and merchandising facilities which we do not have.

Now, then—well, when we get into our proposal we think that you would be better off and we would be better off and the country would be better off if it was leased to us and the Government shared in the profits, such as they are doing now.

Then certainly there is no complaint by the Government on getting \$600,000 rent from us on their share for the past 7 or 8 months.

I think it is one of the outstanding examples of a good investment.

Then I think the plant is ready to handle these surplus problems and we want to do it for you.

We are not in the program for anything except a nominal return out there.

Mr. FLANNAGAN. Nominal return? Well, would you lease from the Government for a nominal return?

Mr. CECIL JOHNSON. That is what we consider we have presented.

Mr. FLANNAGAN. I mean, a 50 percent cut amounted to \$600,000 in the last 7 or 8 months. That was what I meant.

Mr. CECIL JOHNSON. That is an abnormal condition, Congressman. That is before taxes and when you run down your taxes out of that, it is not so big.

Mr. ZIMMERMAN. When you base this \$500,000-plus payments for 5 years at 4 cents per wine gallon of 190 proof beverage—is all of it produced at 190 proof?

Mr. CECIL JOHNSON. All beverage is and we try to produce all industrial alcohol at 190 proof.

Mr. ZIMMERMAN. What would be your offer per gallon if you had produced less than 190 proof?

Mr. CECIL JOHNSON. Well, we try to produce 190 proof all the while.

Mr. ZIMMERMAN. It is a customary practice?

Mr. CECIL JOHNSON. Yes; now, if I might conclude by reading a brief summary by Under Secretary Dodd concerning this agricultural situation. This substantiates my argument.

That is why I like it.

Congress passed the Agricultural Adjustment Act in 1938, realizing that national public interest required Federal Government leadership to cope with production and marketing problems arising from the fluctuation in supplies of our basic crops. The purpose of this act is, (1) to provide a means for adjusting production; (2) to support prices and withhold from markets the burdensome supplies in times of excessive production; and (3) to provide a reserve of supply which would be available in times of deficient production. The working tools of this act are acreage allotments, marketing quotas and commodity loans.

This important:

These controls were effective in increasing and maintaining prices above the prices which would have prevailed in the absence of a program but they could not eliminate burdensome surpluses. By supplementing the Agricultural Adjustment Act with an industrial alcohol program to siphon off surplus production for complete disappearance, the farm program should be effective to maintain parity prices and at less cost to the Treasury.

That is important. Here Mr. Dodd indicates that the way to do this agricultural surplus job economically for the Government is to run it into alcohol. And he says:

Farmers and consumers alike would benefit from such a program. Farmers could produce abundantly within the limits of sound soil conservation and consumers would have stabilized supplies plus additional industrial properties.

It has been pointed out that the cost to the Government to support an industrial-alcohol program over a period of years would be far less than was expended on prewar adjustment programs.

This saving alone would seem to justify the program but there are other pertinent facts to be considered.

For example, as a nation we need to give increasing attention to the exhaustion of irreplaceable natural resources, our petroleum reserves.

The recent war machines awakened us to the importance of adequate reserves of gasoline and oil to our national security.

The United States of tomorrow cannot be caught short of ample petroleum resources, either for our definite or our peacetime economy.

The best current estimates are that the known reserves of petroleum left in the ground in this country are being used at a rate that would cause them in from 14 to 20 years to become exhausted.

A program of making alcohol from corn and other crops would conserve and stretch out these natural reserves.

By blending alcohol with ordinary gasoline, we could save hundreds of millions of gallons of petroleum annually. A 10 percent blend on a national basis would require about two and a half billion gallons of alcohol. Such a blend also would yield a higher octane fuel for our armed forces and for our automobiles and trucks.

Alcohol from grain also would fill another national need by providing a dependable supply of alcohol for manufacture of synthetic rubber. From January 1944 to July, 1945 some 219 million bushels of grain were used to make industrial alcohol which went for the production of synthetic rubber.

Without this surplus grain, industrial alcohol for synthetic rubber would not have been available to meet the emergency need for rubber during the war period.

One and a half bushels of corn will supply enough alcohol to produce the synthetic rubber for one standard 6 x 16 automobile tire.

Mr. Dodd's figures are a little more conservative than those of Mr. Welsh on that score.

A report made March 8, 1946, by John W. Snyder, Director of the Office of War Mobilization and Reconversion, declared that the security of the United States and the essential needs of its citizens must "never again be jeopardized by

inadequate or uncertain rubber supply." His report, made to the President and to Congress, recommends the maintenance in stand-by condition of limited alcohol butadiene facilities as a form of insurance against this contingency.

As yet this program has not been presented to the Congress.

There is another important point that should be considered in this proposed program. The need for conserving and building up our soil resources should be taken into account in formulating any agricultural program. Next to our people the land is our most precious resource. The future of ourselves and our future generations depend upon the productivity of that land. While we have made great strides in soil conservation in recent years we still have much ground to cover. A program for the production of industrial alcohol would serve the cause of soil conservation. The elements that produce alcohol come from air, sunshine and water. Most of the elements taken from the soil by crops would return to the soil as the feed by-products were fed to livestock. Nothing is more important in utilizing farm crops in industry than seeing that we return as much fertility to our land as we take out.

And the industrial-alcohol program does that.

This report has aimed to present certain data of past experience and certain conclusions and predictions as to probable future results. Science is always progressing. Predictions are not infallible. Forecasts are subject to limitations. Yet considering what we know and what we can reasonably expect, the foregoing estimates in support of this industrial-alcohol program appear conservative.

I have purposely brought the only other additional copy of that report of Mr. Dodd's that I have, because it goes into the entire price structure situation and how well this would answer the surplus program.

The CHAIRMAN. It will be made a part of the record.

(The statement referred to is as follows:

INDUSTRIAL UTILIZATION OF SURPLUS AGRICULTURAL COMMODITIES

Statement by N. E. Dodd, Under Secretary of Agriculture
Before Senate Committee on Agriculture, May 14, 1946

When the present food crisis ends, American farmers face a difficult job in readjusting their production to fit peacetime needs. This will be particularly true for crops which were expanded greatly as farmers responded patriotically to the wartime demands.

As they enter this period of readjustment, farmers look to science and research to help them cut production costs, to stabilize production, and to find new uses for their products.

The war and its urgent needs accelerated the application of science to farming, and much of our remarkable one-third expansion in agricultural production can be credited to the use of improved new machinery, and better farming methods. This trend toward greater efficiency is continuing and it is not possible to estimate how much more we may increase our yields per acre in the years to come.

This improved efficiency in farm production emphasizes the need for continued research and new programs to develop new and enlarged outlets for farm products. If possible we must avoid going back to the production control programs of the thirties.

We want farmers to be able to produce to the limit of their resources and we want consumers to be able to have the benefits of that abundance in the form of more and better products.

The problem of surplus production has troubled producers of nearly every major farm crop in the past—wheat, corn, cotton, tobacco, rice, peanuts, potatoes, grain sorghums, rye, barley, and fruit. Farmers long ago learned from sad experience the wisdom of preparing for the future.

This is why we are interested in the objectives and provisions of Senate bill 1908. The purpose of that bill and the purpose of the Department of Agriculture are the same—to provide for the maximum and most effective utilization of surplus agricultural commodities.

We believe that such a program is a logical expansion of the farm programs developed under the Agricultural Adjustment Act, which provided machinery for adjusting farm production and for orderly marketing of farm products.

The proposed program would siphon off many of these surpluses before such controls become necessary. If surpluses should develop even under acreage allotments, as sometimes occurred in the past, we could siphon off the surpluses into industrial uses without having to resort to marketing quotas. Our best calculations indicate that the cost to the Government of such industrial diversion would be considerably less than the payments to farmers required under the program prior to the war.

While most of us believe that agricultural research is still in its infancy, science has made several important discoveries in recent years for greater utilization of farm products in industry.

For example, the Bureau of Agricultural and Industrial Chemistry of the Department of Agriculture has been making progress on these particular fronts:

1. Demonstrations that cotton tire fabrics give outstanding performance in tires for passenger cars and light trucks.

2. Use of wheat straw for fiberboard.

3. Development from ground corn cobs of soft grit blasting materials for cleaning airplane engines with possible use for cleaning all types of internal-combustion engines.

4. Development of soybean oil for use as a coating and sealing material.

5. Commercial use in plywood production of one-half million pounds a year of a meal byproduct from soybean protein manufacture.

6. Commercial production of sweetpotato starch, and production of feed yeast from fruit wastes.

7. Demonstration that cheap construction fabrics made from short-staple cotton can be given durable and attractive finishes making them more acceptable for use in draperies, slip covers, etc.

All of these developments are still in a beginning stage. The war, however, has given us experience on the large-scale use of several major crops—wheat, grain sorghums, corn, and potatoes, in the production of industrial alcohol.

Because these crops have been in large surplus in the past, this statement will go into some detail in analyzing the experience gained in making alcohol from grain and its possibilities for the future. Corn is used for the example but the same principles and practically the same economics apply to the use of wheat and other crops suitable for alcohol production.

Since the beginning of the Agricultural Adjustment program up to the start of World War II, the struggle to obtain fair prices for farm products was hampered by surpluses of commodities unable to find a profitable market.

For example, from an average yearly carry-over of around 200,000,000 bushels for the 10-year period ending 1935, carry-over stocks of corn increased to about 688,000,000 bushels by 1940. Carry-over wheat stocks increased from a normal of a little over 200,000,000 bushels to 632,000,000 bushels by 1942.

These stock piles, while built up under a farm program designed to accumulate large reserve stocks for emergency purposes, had a depressing effect on prices and made necessary parity and allotment payments to give farmers a parity income from these crops. For corn alone, prior to the war, an average of about \$150,000,000 a year was paid to commercial corn producers for adjusting acreage under the corn-allotment and price-support programs.

Meanwhile, the technological revolution in farming continues. Mechanized equipment has speeded up plowing, cultivating, and harvesting amazingly compared with the "horse and buggy" days. Mechanized farm equipment can be used in the field 24 hours a day and a crop can be cultivated almost overnight. Additional and improved equipment is enabling farmers to take better care of crops while providing greater assurance for continued abundant production in the years ahead.

The introduction of hybrid seed corn, soil-conservation practices, and improved methods, increased yields per acre to such an extent that total corn production under acreage allotments failed to decrease even though acreage was reduced more than 20 percent.

At the same time, the replacement of animal power with tractor power has greatly lessened one source of demand for feed crops. The number of horses and mules on farms has declined from 26,723,000 head in 1918 to 11,455,000 in 1946. This decline in work stock has reduced the requirements for feed crops equivalent to over 40 million acres of average farmland.

INDUSTRIAL ALCOHOL PROGRAM FEASIBLE

Acreage allotments for restricting production and commodity loans to keep surplus output off the market and to support prices are provided for by the Agricultural Adjustment Act of 1938. These basic features of the farm program

need to be supplemented with a means by which the surplus could be utilized to prevent excessive accumulation.

An industrial alcohol diversion program will fit into this scheme.—Under such a program, surplus corn could be utilized in the production of industrial alcohol with a cost to the Government of only about one-half the average yearly prewar payments for allotments and price supports. Such a program should eliminate the need for marketing quotas since surplus production would not be allowed to accumulate.

This assumes a diversion into industrial alcohol of an average of 150,000,000 bushels of corn per year. It is believed that along with a program of acreage adjustments, this much diversion would remove the surplus production.

With the full recovery of byproducts such as feed, carbon dioxide, corn oil and fusel oil, alcohol can be produced from \$1 corn for sale at around 40 cents per gallon. At 75 cents per bushel for corn, this quantity can be channeled into alcohol production at about one-third the prewar cost of corn allotment and price support programs. From 75-cent corn, industrial alcohol should be produced for sale at around 33 cents per gallon.

If the price of corn fell to 50 cents per bushel, the diversion cost for 150,000,000 bushels of corn would probably be less than 10 percent of the prewar allotment and price-support expenditures. Industrial alcohol production from 50-cent corn could be placed on the market at about 25 cents per gallon.

Under present price and demand conditions, the profits from byproducts recovered in the processing of alcohol from corn will cover the processing and administrative costs of producing alcohol. With a production of 2.6 gallons of alcohol per bushel of corn, a performance reached by some plants during the war, it becomes evident that at present price relationships the net cost of producing alcohol can be determined on the basis of the per bushel cost of corn.

These conclusions are based upon cost figures from the actual experience of individual segments of the distilling industry processing industrial alcohol during the war.

VALUABLE BYPRODUCTS

A bushel of corn processed for alcohol under conditions for full recovery of byproducts will produce 2.6 gallons of alcohol, 16.8 pounds of feed, 15.0 pounds of CO₂ gas, 1.1 pounds of corn oil, and 0.1 pound of fusel oil.

There are other valuable byproducts which can be recovered in processing corn for alcohol, but only the above will receive consideration in this statement.

Alcohol is produced from the starch content of the grain, leaving minerals, vitamins, proteins, and fibrous materials for recovery in the form of livestock feed. From the standpoint of soil conservation this is important since the plant-food elements taken from the soil by the crop are returned to the land when fed to livestock. The carbohydrate (starch) element for the alcohol comes from air, water, and sunshine—inexhaustible supplies of nature.

Feed.—About one-half of the feed recovered is distillers' dried grains (light) which for the most part contain the coarse grain and fibrous material of the original grain, screened and dried after alcohol extraction. The other half, known as distillers' dried solubles, is recovered as sirup to be dried and mixed with the distillers' dried grains (light) to form distillers' dried grains (dark), or to be evaporated into flake or powder for mixing with other feeds.

Distillers' dried grains have long been used as a valuable feed for cattle. As such they were not as a rule fed to simple-stomached animals except for an occasional feeding of "whole stillage" to swine, and some "thin slop" to poultry. In recent years, those products became better known for their feeding values for hogs and chickens. The 1944-45 year production of this protein feed was more than three times the 1939 output.

The recovery of distillers' dried solubles is new. The first production of this highly important feed was on a small scale in 1939 by Hiram Walker & Sons, Inc. Solubles usually thrown away as thin slop have been found to contain water-soluble vitamins and other unidentified elements which are valuable as a feed for calves, swine, and chicks. The unidentified growth factor is apart from vitamin A, thiamin, riboflavin, niacin, paraaminobenzoic acid, choline, and pyridoxine. As these qualities became known, the production of this byproduct advanced by leaps and bounds. The 1945 production was 85 times larger than in 1939.

The dried solubles, if marketed separately, command a much higher price than ordinary high protein feeds. Prospects are that when their feeding values are more widely known, the selling price will be higher than that used for this analysis.

Figures on the recent production of distillers' dried grains and dried solubles are given in table I. (The figures in column 1 include the production of solubles shown in column 2.)

TABLE I.—*Production of distillers' feed*

[Thousands of tons]

Feeding year (October 1-September 30)	Distillers' dried grain (light and dark)	Distillers' dried solubles	Feeding year (October 1-September 30)	Distillers' dried grain (light and dark)	Distillers' dried solubles
	(1)	(2)		(1)	(2)
1939-40-----	163.8	11.0	1942-43-----	356.9	17.5
1940-41-----	206.5	11.5	1943-44-----	443.9	27.3
1941-42-----	345.4	14.0	1944-45-----	633.5	85.5

¹ Compiled by J. C. Bauernfeind and C. S. Boruff, research department, Hiram Walker & Sons, Inc. All other figures from Bureau of Agricultural Economics.

Distillers' dried grains and solubles have a high value as a protein concentrate. In addition, they have vitamins and an unknown growth factor that makes them particularly valuable for poultry and livestock.

These supplies of protein feed while being convenient to producers' delivering grain to processing plants would mean much to farmers in providing a source for balanced feeding and more economical meat production.

An increase in the supplies of these byproduct feeds from increased alcohol production would not weaken the concentrate feeds market in the opinion of most authorities. There has been a tremendous growth in the feeding of protein concentrates as farmers expanded their livestock productions to meet increased demands and also as they became better acquainted with their properties.

Such authorities as Shepherd, McPherson, Brown, and Hixon agree that even with one-half of the alcohol required for a 10 percent alcohol gasoline blend being made from corn, the byproduct feeds would not saturate or seriously weaken prices in the concentrate feeds market. The market absorbed a 60-percent increase in supplies of high protein feeds from 1935 to 1939 without depressing prices.

Feeding authorities estimate that protein supplements up to 15 percent of the total concentrate feed should be used on the average in livestock feeding. At present, the supplies of high protein feed are only about 6 percent of the total concentrates fed. The processing of 100 million bushels of corn would produce only about 850,000 tons, whereas a production of over 8 million tons would be required to double present supplies. Even then supplies would be short of balanced feeding.

Carbon dioxide, another byproduct, is formed as a gas during the alcohol fermenting process and is recovered by only a few plants. Fuller utilization of dry ice for refrigeration will result in greater income from this byproduct. Approximately 300,000 tons of carbon dioxide may be profitably recovered from the processing of 100 million bushels of corn for alcohol.

Seasonal fluctuations of demand coupled with manufacturing problems respecting storage and expense have restricted full recovery of carbon dioxide during the manufacture of alcohol. Where about 6 pounds of carbon dioxide gas could be recovered for each gallon of alcohol produced, only about 2 pounds have actually been saved by plants recovering this byproduct.

At the present, carbon dioxide is recovered or sold to subsidiaries for recovery by about 14 plants. Speciality products, such as liquid carbon dioxide (compressed in cylinders) and solid carbon dioxide (dry ice) have great potential sales possibilities including refrigeration of perishable products in transit.

Reports of the Department of Commerce show that the major distribution center for fresh meats, dressed poultry, and butter is the Corn Belt States, the same area of surplus corn production where power alcohol plants could be located and where dry ice could be produced for refrigeration purposes.

Large quantities of carbon dioxide in the form of liquid and dry ice could be used in these Corn Belt States if dependable supplies were available to meet competitive sources of refrigeration. Liquid carbon dioxide in convenient cylinders could be of real service to farmers as fire extinguishers. Farmers have very little, if any, emergency fire protection as is available to people living in towns.

Carbon dioxide from distilleries can compete favorably with carbon dioxide from stack gasses and natural gas wells and with mechanical ice refrigeration.

Corn oil.—The recovery of 1.1 pounds of corn oil per bushel of corn is dependent upon the wet process in which the corn germ is separated for special processing. In dry process, generally used by the distillers, only about 0.6 of a pound of corn oil is recovered from a bushel of grain.

Corn oil is used in many vital industries. In 1940 over 88 million pounds were employed in shortening, oleomargarine, mayonnaise, salads, soap, paint, varnish, and for 75 other uses. Wartime conditions reduced corn oil production by 38 million pounds in 1945.

In an industrial alcohol program as much as 8 million gallons of corn oil could be produced from 100 million bushels of corn processed. If the potential supply from the program can be absorbed by markets, corn oil will help lower alcohol production costs.

Fusel oil, the remaining byproduct being considered, is produced from fractionation of the alcohol.

Fusel oil has been recovered at a rate which would produce about 1,400,000 gallons from 100 million bushels of corn processed for alcohol. Its principal use has been as a solvent for the production of penicillin as well as nitrocellulose and for use in the manufacture of celluloid, rayon, plastics, paints, and varnishes. The esters from it are used in flavoring extracts and perfumery.

During World War II fusel oil was recovered by practically all alcohol producers. The saturation point of the market for this product is far off. Manufacturers employing it are in fields ready for expansion such as plastics and rayon.

COST OF ALCOHOL PRODUCTION

The cost of producing alcohol from grain does not vary uniformly with changes in prices of grain. This is due for the most part to the stability of fixed charges and labor costs in alcohol manufacture. A 25-percent drop in the price of grain will bring a smaller proportionate drop in the cost of producing alcohol.

This may be illustrated by production examples at different price levels for corn. A drop in the price of corn from \$1 to 75 cents per bushel would reduce the cost of alcohol from around 40 cents a gallon to about 33 cents. A drop in the price of corn from \$1 to 50 cents would reduce the cost of alcohol from around 40 cents to 25 cents per gallon.

The market values of the byproducts, including feed, corn oil, fusel oil, and carbon dioxide as used for these conclusions were taken from actual records of processing-plant operations in 1944 and 1945.

Byproduct feed values will as a general rule vary according to the price of the grain used in the production of alcohol. The market prices of corn oil and fusel oil will be relatively stable and should not drop much with cheaper grain. The recovery value of carbon dioxide, while taken from actual records, is considered low from the standpoint of what might be expected from more efficient and complete recovery.

CORN—A MIDWEST PROBLEM

Although corn is produced throughout the United States, the problem of handling surpluses is limited to the Midwest Corn Belt. Based on past experience, the areas where surplus corn diversion would be needed would embrace from 155 to 200 counties in 7 States—Iowa, Illinois, Minnesota, South Dakota, Nebraska, Indiana, and Ohio. Historically, the other sections of the country grow no more corn than is required for their local needs.

This Corn Belt area as a whole has intensive livestock, dairy, and poultry production. More than 80 percent of the United States supplies of fresh meat shipped by rail originate in 10 Corn Belt States. More than 60 percent of the dressed poultry and more than 75 percent of the butter moved by rail also originate here.

This heavy livestock industry provides a ready market for the high protein feeds represented by the byproduct of dried grains and solubles from alcohol production as well as a market for such a byproduct as carbon dioxide, used to refrigerate rail cars.

The Nation's surplus production of corn concentrated in the seven States listed above, with the exception of the drought years of 1934 and 1936, ran 150 to 250 million bushels annually in the 10-year period 1932 to 1941. Due to higher yields resulting from hybrid seed, improved methods of farming, and better conservation practices, surpluses as great or even greater are expected to appear again in the

postwar years even though our peacetime consumption of corn stays at a level higher than prewar.

The following table shows estimated future requirements for corn compared with prewar and wartime consumption:

TABLE II.—*Corn requirements by types of uses*

[In millions of bushels]

Type of use	1932-41 average	1943-44 marketing year	Estimated post-war marketing year (1948)
Feed for work stock	327	267	200
Feed for meat animals, dairy and poultry for domestic consumption	1,714	2,039	2,125
Feed for meat animals, dairy and poultry to be exported	43	¹ 619	100
Industrial uses, seed, etc.	208	256	300
Commercial export as grains	26	10	25
Total requirements	2,318	3,191	2,750

¹ The 1943-44 year for this item includes all military, lend-lease, and commercial exports of meat, dairy, and poultry products.

It will be noted that while feed for work stock is on the decline, the feeding of corn to meat animals, dairy cows, and poultry for both domestic consumption and for meat exports is expected to continue on relatively high levels compared with the 10-year period ending in 1941.

The estimates for the normal postwar marketing year (1948) are based upon standards set forth in the Agricultural Adjustment Act with respect to normal supply, reserve supply, and marketing quota levels.

Applying these standards, the total requirements for corn in 1948 excluding carry-over supplies, would be about 2,750,000,000 bushels. This estimate is believed to be on the "high" side. Historically, the disappearance of corn has never reached this level except in wartime.

With an average production of 2,557,000,000 bushels of corn per year during the 4 years 1937-40, inclusive, the supplies of corn were sufficient to meet all requirements and at the same time to build up the carry-over stocks from 67,000,000 bushels to 688,000,000 bushels. Assuming a production of 3,000,000,000 bushel crops which would be likely without acreage adjustments, there could be a surplus up to as much as 250,000,000 bushels of corn annually. Yearly production during the war (1942-45) ranged from 3,018,000,000 bushels to 3,203,000,000 bushels.

The proposed program is primarily concerned with that part of the corn supply which will not be required as feed, seed, usual commercial interests, exports, and the carry-over reserve held by private owners. It is this part of the corn supplies which will need the special attention of the Government in building an ever-normal granary and siphoning off the overflow into industrial uses.

Our ever-normal granary has been stripped bare by the war and famine emergencies. It should be refilled again to a level of about 500,000,000 bushels. This can be accomplished, with normal crops, within a very few years.

It might be desirable to build up substantial reserves before instituting a diversion program. A strong reserve secured quickly would provide immediate protection against a possible drought and crop failure.

On the other hand, limited quantities of corn could be made available for industrial alcohol production during the time reserve stock piles are being accumulated. In this case, if 3,000,000,000 bushel crops are produced, up to as much as 100,000,000 bushels of corn might be diverted to the alcohol program annually during the 3 or 4 years required to build up a full ever-normal granary.

Obviously, the exact quantities of corn which will be available for ever-normal granary stocks and for industrial alcohol production will vary according to the ups and downs of crop production.

So far this statement has reviewed evidence to show the need of a program to control surplus corn and to stabilize its price. It has suggested an industrial alcohol program as appropriate to accomplish the objectives.

Now it remains to be seen what such a program can accomplish for the farmer and industry.

MANY ADVANTAGES

Congress passed the Agricultural Adjustment Act of 1938 realizing that national public interest required Federal Government leadership to cope with production and marketing problems arising from the fluctuation in supplies of our basic crops. The purpose of this act is (1) to provide a means for adjusting production, (2) to support prices and withhold from markets the burdensome supplies in times of excessive production, and (3) to provide a reserve supply (ever-normal granary) which would be available in times of deficient production.

The working tools of this act are acreage allotments, marketing quotas, and commodity loans. These controls were effective in increasing and maintaining prices above the prices which would have prevailed in the absence of a program, but they could not eliminate burdensome surpluses.

By supplementing the Agricultural Adjustment Act with an industrial alcohol program to siphon off surplus production for complete disappearance, the farm program should be effective to maintain parity prices, and at less cost to the Treasury. Farmers and consumers alike would benefit from such a program. Farmers could produce abundantly within the limits of sound soil conservation and consumers would have stabilized supplies of corn plus additional industrial products.

It has been pointed out that the cost to the Government to support an industrial alcohol program over a period of years would be far less than was expended on prewar adjustment programs. This saving alone would seem to justify the program. But there are other pertinent facts to be considered.

For example, as a nation we need to give increasing attention to the exhaustion of an irreplaceable natural resource—our petroleum reserves. The recent war of machines awakened us to the importance of adequate reserves of gasoline and oil to our national security. The United States of tomorrow cannot be caught short of ample petroleum resources either for our defense or our peacetime economy.

The best current estimates are that the known reserves of petroleum left in the ground in this country are being used at a rate that would exhaust them in 14 to 20 years. A program of making alcohol from corn and other crops would conserve and stretch out these natural reserves.

By blending alcohol with ordinary gasoline, we could save hundreds of millions of gallons of petroleum annually. A 10-percent blend on a national basis would require about 2½ billion gallons of alcohol. Such a blend also would yield a higher octane fuel for our armed forces and for our automobiles and trucks.

Alcohol from grain also would fill another national need by providing a dependable supply of alcohol for the manufacture of synthetic rubber. From January 1944 through July 1945 some 219,000,000 bushels of grain were used to make industrial alcohol, most of which was for synthetic rubber production.

Without this surplus grain, industrial alcohol for synthetic rubber would not have been available to meet the emergency need for rubber during the war period. One and one-half bushels of corn will supply enough alcohol to produce the synthetic rubber necessary for one standard 600 x 16 automobile tire.

A report made March 8, 1946, by John W. Snyder, Director of the Office of War Mobilization and Reconversion, declared that the security of the United States and the essential needs of its citizens must "never again be jeopardized by inadequate or uncertain rubber supply." His report, made to the President and to Congress, recommends "the maintenance in stand-by condition of limited alcohol butadiene facilities as a form of insurance against this contingency."

There is another important point that should be considered in this proposed program. The need for conserving and building up our soil resources should be taken into account in formulating any agricultural program.

Next to our people, the land is our most precious resource. The future of ourselves and of future generations depends upon the productivity of that land. While we have made great strides in soil conservation in recent years, we still have much ground to cover.

A program for the production of industrial alcohol would serve the cause of soil conservation. The elements that produce alcohol come from air, sunshine, and water. Most of the elements taken from the soil by crops would return to the soil as the feed byproducts were fed to livestock. Nothing is more important in utilizing farm crops in industry than seeing that we return as much fertility to our land as we take out.

This report has aimed to present certain data of past experience and certain conclusions and predictions as to probable future results. Science is always progressing. Predictions are not infallible. Forecasts are subject to these limitations. Yet considering what we know and what we can reasonably expect, the foregoing statements in support of the program appear conservative.

Mr. CECIL JOHNSON. I have copies of the accomplishments of Farm Crops Processing Corp. operating a Government facility.

Mr. GOFF. I would like to get one of those. I hope they will be available.

Mr. CECIL JOHNSON. We are extremely proud of these accomplishments. We think it is unparalleled in the operation of this thing. We would like to continue on behalf of the Government running that plant in the interests of the people.

The CHAIRMAN. Are there any further questions?

Mr. FULLER. I would like to ask the witness one question.

The CHAIRMAN. Mr. Fuller.

Mr. FULLER. You made the remark about rental and about your profit less taxes.

Now, the money that you spent in reconditioning this plant and putting it in shape for production, you automatically charged off, owing to your contract, did you not? I mean, you did not extend that over a period of more than 1 year because you had no termination date of contract; is that true?

Mr. CECIL JOHNSON. I think that is right. I mean, we have had no opportunity to recoup our expenditures.

Mr. FULLER. No. In other words, if it cost you a half million dollars to recondition that plant, you charged it off during the current calendar year of operation complete; is that right?

Mr. CECIL JOHNSON. I do not know as to that.

Mr. FULLER. Well, you would have a right to, is that not true?

Mr. CECIL JOHNSON. Yes, I think we would, and I think it would be prudent for us to do so, but I do not keep the books.

Mr. FULLER. Well, did you take advantage of that?

Mr. CECIL JOHNSON. Well, I think as prudent businessmen they did and I believe they did.

Mr. FULLER. The reason I am asking the question is because it was said here that there was \$600,000 rental paid to the Government and then you said that was before or after taxes. That is why my question is developed here, if you paid any taxes in respect to your operation or expenses in getting it?

Mr. CECIL JOHNSON. I think we did pay taxes, Congressman, with respect to the operation, because we have no depreciation schedule that we can charge against or anything else.

We have to take it right out of our surplus.

Mr. FLANNAGAN. It shows here that you paid \$166,000,000.

Mr. CECIL JOHNSON. That represents the total taxes paid and represents the high tax paid on that alcohol we produced that also went into beverage alcohol.

Mr. FLANNAGAN. Are there 10 stockholders in this company?

Mr. CECIL JOHNSON. I think that is about right.

Mr. FLANNAGAN. And how many of them are on salary?

Mr. CECIL JOHNSON. How is that?

Mr. FLANNAGAN. How many of them draw a salary?

Mr. CECIL JOHNSON. Right at the moment, there is one on salary.

Mr. FLANNAGAN. How many have been drawing salary?

Mr. CECIL JOHNSON. I think there have been two or three on salaries. No; four. Right at the moment we have one.

Mr. FLANNAGAN. How many salaries did the four draw?

Mr. CECIL JOHNSON. Well, during the war I recall that they had me do some work trying to clear up some matters with the War Labor

Board on salaries and the Government limited our salaries then, I believe to \$10,000 a year.

Mr. FULLER. I would like to make a remark there, Mr. Chairman, that I want to compliment this group for their operations and I also think the Government was very unfair with the salary that they paid any group of men that were smart enough and clever enough to give the Government such a return on that type of investment.

If it was in an ordinary major company you mean you would not be drawing \$10,000, you would probably draw closer to \$50,000?

Mr. CECIL JOHNSON. Several of the big distillers pay salaries over a hundred thousand, I will tell you that.

Mr. FULLER. I want to compliment you men on those operations.

Mr. FLANNAGAN. What salaries have you been paying during the period since you took the plant over?

Mr. CECIL JOHNSON. We have operated the plant continuously but the Government—

Mr. FLANNAGAN. I mean the stockholders are not entitled to their earnings, are they?

Mr. CECIL JOHNSON. Yes; they have been entitled to corporate earnings.

Mr. FLANNAGAN. You mean the Government put up this plant and turned it over to the stockholders?

Mr. CECIL JOHNSON. And we paid rent to the Government for the operation of the plant.

Mr. WELSH. Mr. Chairman, may I answer that?

Mr. FLANNAGAN. How has your rent been?

Mr. CECIL JOHNSON. Our rent has been three and a half million.

Mr. FLANNAGAN. Over that entire period?

Mr. CECIL JOHNSON. Yes.

Mr. FLANNAGAN. Well, as a matter of fact, the stockholders only put in a hundred thousand dollars? You have assets now of a million-four?

Mr. CECIL JOHNSON. I would say they are between a million-two and a million-five.

I think there are a number of items there that might be very questionable, whether they are assets.

It might go down to a million dollars.

Mr. FLANNAGAN. I do not see where the stockholders have any right to complain.

Mr. CECIL JOHNSON. We are not complaining, Congressman.

Mr. WELSH. Mr. Chairman, may I please correct what seems to be an erroneous idea that Mr. Flannagan had? It has not always been so profitable to operate this plant as it has been during the last few months. We operated it during the war when the emergency was on and we were told to plow alcohol just as quickly as possible and in just as great a volume as possible, for the Government use to make synthetic rubber.

We got under production as quickly as we could on our first alcohol program and it cost us \$1.26 a gallon because we dumped the residue into the river until we could get the feed recovery because of the necessity for alcohol production.

So that went into our cost. But anyway, we operated during the war and ended up the cheapest producer of alcohol in America with our total production and all the waste we had getting started; but

during that time, Congressman, the net profit that we had in the operation of that plant for the Government the day the war was over, to the stockholders of this company, was under \$200,000 for the year's operation during the war.

That figured one-eighth of a cent per gallon to the stockholders of this company for the war effort.

It has been more profitable under open competition.

Mr. FLANNAGAN. Then you have made all this profit in the last 9 months?

Mr. WELSH. That is right; in the open competition.

Mr. FLANNAGAN. How much rent did you pay the Government a year?

Mr. WELSH. We paid a total——

Mr. FLANNAGAN. I am talking about each year.

Mr. WELSH. Well, of course, it was up and down. At one time it was 2 cents a gallon and another time 8 cents a gallon.

Mr. FLANNAGAN. You paid them on a percentage per gallon?

Mr. WELSH. Since the war, that is right.

Mr. FLANNAGAN. I mean during the war. What rent did you pay then?

Mr. CECIL JOHNSON. There were four different arrangements, Congressman. The OPA changed it from time to time. I forget what they were. It ranged from 4 to 8.4 cents a gallon.

Mr. FLANNAGAN. Was it always based on a certain number of cents per gallon?

Mr. CECIL JOHNSON. Yes. We will be glad to furnish that.

Mr. WELSH. About 5 cents per gallon, Congressman, during the war, that we paid the Government rental on the plant on the 30 000,000 gallons we produced for them.

Mr. CECIL JOHNSON. I think we are the only plant today sharing our profits with the Government, too.

Mr. FLANNAGAN. What?

Mr. CECIL JOHNSON. I think we are the only plant operating, that I know of, anyway, that is sharing their profits with the Government.

Mr. FLANNAGAN. What rate would the Government have in leasing these other plants?

Mr. CECIL JOHNSON. I think the excess over the fixed rental is retained by the stockholders that are operating that.

Mr. HOEVEN. How did you happen to enter into arrangements to share the profits?

Mr. CECIL JOHNSON. We thought it was fair.

Mr. HOEVEN. Was that on your own initiative?

Mr. CECIL JOHNSON. We have been as charitable as we kenw how to operate. If you cut down the incentive to make profits, you are going to harm the operation. Whenever you take out the American incentive of doing business economically and making a profit, then I think that business has gone to the dogs.

Mr. HOEVEN. It is a very unusual procedure and I want to compliment you for your initiative in doing that.

Mr. WELSH. I assure you, Congressman, several times we wondered whether or not we could make enough profit to profitably operate the plant during this time that it turns out to be so profitable.

Mr. CECIL JOHNSON. There have been many deliberations where they thought they might lose their entire earnings plus their capital

structure and it is pretty easy when you have a vast plant that takes forty or fifty or sixty thousand dollars a day to operate it, and that is what this plant consumes.

The CHAIRMAN. Mr. Johnson has a question.

Mr. JOHNSON. You made a remark about the products that went down the river as waste during the early years of operation. I do not believe all the committee understands that what you refer to as waste is that high protein which is necessary for poultry production, egg production, meat and hog production. A good farmer just does not feed stock without some of it, but here, because you could not get the machinery to extract that—now, what does that waste amount to? Almost a third of the original weight of a bushel of grain. About 17 pounds out of a 56-pound bushel of corn. It went down the streams when the country was crying for high-protein feeds.

Mr. CECIL JOHNSON. Congressman, we were the first large distiller in the Middle West to bring to the attention of the farmers the great value of these protein feeds.

When we started out we had to offer them at a bargain, a tremendous bargain. We had to do our own advertising program. We had to go to the colleges and elsewhere to get them to run experiments to use them.

As I recall, we started out selling them at around \$35 a ton. Today there is hardly a feed mixer in the country that does not realize the tremendous value in that high-protein feed.

They are just crying for it and I think the price is somewhere around 85 dollars a ton today.

I can remember going to the War Production Board and trying to talk them into letting us do a little advertising to acquaint the public with that feed.

It was OPA, rather. You would think I was asking for the dome of the Capitol when I got through. It was only \$5,000 that we were going to take out and spend for a little advertising to acquaint the farmers that they ought to be feeding this high-protein feed. That really caused the great commotion. We finally got the thing done and went out there and alone sold the idea of these high-protein residues.

Mr. JOHNSON. I might add, along that line, to some of the other boys: I have been a farmer for many years so I know something about those problems. I think some of the others have not been feeding. Mr. Gross knows plenty about this and I think he will agree with me that if a farmer has a thousand bushels of corn in his crib to feed cattle he will make more money if he sells off 200 bushels of corn to the alcohol plant and then buy back from the distiller the protein and feed it with his 800 bushels of corn that he has left.

He will get greater gains and higher quality of meat. Is that not true?

Mr. GROSS. Yes; I wanted to enlarge on that a bit. I have been disturbed for sometime with the administration's attitude of regulating the supply of grain to distilleries, creating the impression in the country that that was just simply a waste of grain, and leaving them under the impression that the distillery was the dead end of that grain.

I knew better. Fifty years ago we were feeding distillers' and brewers' grain to our dairy cows, and we still feed them. When the Department of Agriculture takes that attitude, to curtail the grains to the dairies they are removing from our feed supply the most digestible

grains we have and they are striking a blow at the dairy business by taking away a feed they cannot replace.

It is a blow at every milk bottle when they cut these grains out. I think more publicity should be given to that fact.

Not that I am defending the alcohol business but we should not mislead the public on anything.

More publicity should be given to the fact that the distillery is not the end of that grain.

What I would like you to tell me is, if I sell a hundred bushels of barley, or corn, to the distillery, how much grain gets back to the market out of that? Can you tell me?

Mr. CECIL JOHNSON. Oh, about 18 to 20 pounds of high-protein feeds.

Mr. GROSS. Per hundred or per bushel?

Mr. WELSH. Per 56-pound bushel.

Mr. GROSS. About 30 percent; is that what you mean?

Mr. CECIL JOHNSON. Just about a third.

Mr. GROSS. And that comes back sweet and digestible?

Whenever you get into a regulated, well-managed dairy barn you smell it. It smells good.

Mr. CECIL JOHNSON. Let me tell you, Mr. Gross, that out of this research program we are doing, and we have spent a lot of money and lost a lot on it, we have a new product we think we are going to be able to present to the American farmer that does all of this plus a good deal more; and we got the information—know-how—on how to carry out the research, to do it right from the operation of this alcohol plant.

Mr. GROSS. For instance, when you use potatoes does any feed come out of that or is that the dead end of potatoes?

Mr. CECIL JOHNSON. About 12 pounds per hundred.

Mr. GROSS. And what does it constitute?

Mr. CECIL JOHNSON. It is mostly high protein, 30 or 40 percent protein.

Mr. GROSS. That is all.

The CHAIRMAN. Are there any further questions?

Do you have any further statement, Mr. Welsh?

Mr. WELSH. No, thank you.

Mr. ZIMMERMAN. Let me ask you one question: Do other distillers salvage this protein feed?

Mr. CECIL JOHNSON. A lot of them do. It has become universal practice among the larger distillers, largely because the Government here, after they learned about it, went in and insisted that they put it in.

For instance, the Publicker operation up at Philadelphia, the Government financed that private plant to the tune of about \$15,000,000 and converted their entire operation from molasses to grain, put in feed-recovery operation, and the Publicker operation went down and have bought that on a very reasonable basis. I think somewhere about \$3,000,000, with a low down payment and payments extended over the years, and they are making full recovery of their feed byproducts, and that is true of most of the other major distilleries now.

Mr. GROSS. Years ago we used to buy it wet. About twice a week we would go to the brewery or distillery and get it.

Then they began to dry it and bag it and today it is just a necessity.

Mr. GOFF. Mr. Gross, you mentioned the brewer. This remains in the brewing plants as well as the distilleries, does it not?

Mr. CECIL JOHNSON. It is more from distilleries than brewing because of that fact that you have a much higher solid content in beer and this is a distillation process.

You go through the same operation in making alcohol that you do in making beer except that you have all the residue left in alcohol whereas there are a lot of solids in beer.

Mr. GROSS. I do not know whether Secretary Anderson knows about this or not, but it might be well for somebody to inform him that the brewery or distillery is not the end of the grain.

Mr. CECIL JOHNSON. Gentlemen, we need your help to save this plant and that is why we are so anxious to present our story and we thank you for the opportunity that has been accorded us.

The CHAIRMAN. The committee will go into executive session, at the conclusion of which we will adjourn and reconvene 10 o'clock Monday morning.

(Thereupon, at 3:50 p. m., the committee went into executive session.)

DISPOSAL OF GOVERNMENT-OWNED ALCOHOL PLANTS

SATURDAY, FEBRUARY 28, 1948

HOUSE OF REPRESENTATIVES,
COMMITTEE ON AGRICULTURE,
Washington, D. C.

Mr. JOHNSON. The committee will come to order. We are taking up H. R. 5398, a bill to provide for making available the Government-owned alcohol plant at Muscatine, Iowa, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

I might say that there is a request from the Secretary of Agriculture to the Speaker of the House for such legislation, and in general I think most of the members of the committee are heartily in accord with the purposes and intents of this bill.

I want to say the chairman, particularly, has long advocated such things in the interest of national defense.

I see we have in the audience here a colleague of ours of many year's standing, Congressman Martin, of Iowa, who happens to be from the very district in which the Muscatine plant involving this bill is located. Mr. Martin, we would like to invite you to sit up here with the committee. Mr. Martin has long been interested in the plant out there and he has shown a great interest in this company many times in the past and in the great work that was done in the production of alcohol and other products, such as potatoes, and so forth. He has shown a great interest in this work.

We will call Mr. Overby, the first witness, representing the Secretary of Agriculture.

STATEMENT OF EDWARD J. OVERBY, ASSISTANT TO THE SECRETARY OF AGRICULTURE

Mr. OVERBY. My name is Edward J. Overby, Mr. Chairman, assistant to the Secretary of Agriculture. We have not prepared any specific material for this hearing this morning. We have put into the record, both in the House committee and the Senate committee in the past certain information regarding our interest in this bill and this particular plant. We thought perhaps there were things that the committee would like to question myself and two other members of the Department who are here and who have a primary interest in the operation of this alcohol plant at Muscatine. I have with me the Assistant Chief of Agricultural and Industrial Chemistry, Mr. Carl F. Speh, and Mr. J. B. Wyckoff, of our Plant Financing Division, people who work with the various plants that the Department of Agriculture has sponsored and which were built by RFC or other

Government agencies during the war. We have had a long-time interest in the work of these plants. We worked very closely with the various alcohol-producing plants during the war, especially the Government-owned grain alcohol plants. And at the time the war was over, and RFC indicated it was about time they should get rid of some of these plants, we asked that the declaration of surplus be held up for a while and finally we asked them not to declare surplus the Muscatine plant because of our real interest in continued Government ownership of this plant. We thought that should probably be done through ownership by the Department of Agriculture so that we would have the plant available for a commercial demonstration of many of the things that were done in the pilot-plant stage in our laboratory at Peoria and as a stand-by plant for experimental purposes and for demonstration of disposal of surplus commodities. I just wanted to make a general statement of our interest and perhaps the committee wants to indicate just which way they wish the testimony to go from here on.

Mr. JOHNSON. In a general way and we hope you do not mind answering questions at any time. I have two members of our committee here who also made quite a study on this. They were present when we had Mr. Larson, the Administrator for War Assets, before this committee. I might state that when they came before this committee they said they were disposing of the Kansas City and the Omaha plant and in fact it was only about 5 days off when they expected to close the bids on the Kansas City plant and the Omaha plant about a month later. They hoped to keep the Muscatine plant for a while. This committee then unanimously made a request by vote to Mr. Larson not to dispose of any of those plants before June 30. That was predicated on this basis, which fits right in with the purpose and intents of this bill. The idea of the committee at the time was that with war clouds hanging over us we never know what is going to happen in the immediate future and we might need them for alcohol again, for rubber or for munitions. We also felt we did not want those sold at this time because by June 30 we will know quite well what kind of a wheat crop we are going to get in this country. Also by June 30 we ought to know pretty well what the outlook is for our corn crop. It should be pretty well established by June 30 whether we are going to get a corn crop. I say that as a practical farmer of many years. Personally, I would like to see all of these plants retained. In fact, I was the author of the motion to make the request that the sale be withheld. Are there any questions from members of the committee?

Mr. HOEVEN. As I understand it, this is the only plant that the Department of Agriculture is asking to be transferred to their ownership, is that correct?

Mr. OVERBY. That is correct.

Mr. HOEVEN. And in addition to the reasons given by the chairman, isn't it also a fact that this plant is closer to the Peoria experiment station or laboratory and would also be used in case there were large agricultural surpluses in this country.

Mr. OVERBY. That is correct.

Mr. POAGE. Mr. Overby, I have been told that this plant has a large supply of cold water.

Mr. OVERBY. Yes. I think that is one of the real advantages of this plant. They have a supply of 56° water.

Mr. POAGE. Does that come from springs or wells?

Mr. OVERBY. Wells, I believe.

Mr. POAGE. What does the Department propose to do with this plant?

Mr. OVERBY. We would probably operate the plant through a lease. I doubt, unless we had an indication from this committee and Congress, that we would go directly into the alcohol producing business, that is, producing for our own account and getting into the alcohol market. We have not thought of that as a probability. That would leave, of course, only the alternative of leasing it to some commercial operator who would probably produce alcohol as a main source of business revenue. We would want to write into the lease conditions under which they would further some of our experimental work, that is, would take in certain innovations or changes that we might like to suggest, and we would hope to have a lease flexible enough to get certain of these things done in a commercial-sized plant.

Mr. POAGE. In other words, while you would expect the operator to produce alcohol on a commercial basis for the profit he could make out of it, you would also expect him and require him, as I understand it, to use such methods and practices as you wanted to see tried out there. You would go, I presume, far enough that you would have authority that even though he might want to use corn or wheat for his alcohol that if you wanted him to use potatoes that you could require him to do so. Is that right?

Mr. OVERBY. That is right. That has already been done in the past. This particular plant at Muscatine has used several thousand carloads of potatoes at our request for producing alcohol and at the present time they are producing potato flour in some of the feed driers that they have. This plant is well adapted to much of this type of work and it happens that the present operators have been very cooperative with us in taking on some of these projects and trying them out. I do not know that the potato operation was always particularly profitable. They went into it, of course, at the time it was difficult to get grain.

Mr. POAGE. Just how do you induce the operator to carry on the less profitable operations, because they are the things of course that we are most interested in? We can get anybody to operate an ordinary distillery. They do that just for the profit they can make out of it. But you must give him some special monetary concession in order to use the lower profit commodities.

Mr. OVERBY. When we offered surplus potatoes from the crop of 1946 for all the uses that could be found for them, we offered those potatoes at practically a give-away price. We did not offer them just to the Muscatine plant. We sold them to any distillery that wanted them. We had to urge some of them a little bit to take these potatoes even though we got little money for them. I think it was \$5 a carload on a good many of the potatoes. They would have otherwise spoiled and they did replace some of the grain that would have otherwise been used for the alcohol that was needed. The concessions that were made did not differ from any other privately owned plant. Partly the cooperativeness of the people that were in there and our trying to get together to work with them and show them that this would be helpful to the program and to the national interests. I do

not say that they lose any money, particularly, on those things. They might conceivably have made more money had they had corn instead of potatoes.

Mr. POAGE. But you are going to want this operator to take a chance of losing money. I visualize that is what we may want him to do. Is that right?

Mr. OVERBY. We look at it this way, Mr. Poage. We will have certain flexibility in a privately operated plant under a lease arrangement. We will have flexibility in changing the rental that is charged. The rental that is charged in all of these plants now is on a gallonage basis and I believe RFC in their operations have probably set the pattern, when changes had to be made or capital investments had to be made the operators have made them from time to time and taken that out of future rental payments. We feel that we would probably be able to make some adjustment in the rent if we asked a man to change operations which were not known to be profitable and which you could hardly expect him to make unless there was some concession offered.

Mr. POAGE. I think you must, too. I think you must make some concessions.

Mr. OVERBY. Yes. We expect that would be done. That is the way the lease will be written, no matter who operates the plant.

Mr. POAGE. Do you expect to go any further than merely making concessions on the rent? Do you expect to use some of the money that is appropriated for experimental purposes to subsidize the operation of this plant?

Mr. OVERBY. No, sir; not as a subsidy to the plant. We do have authority, as you know, under the Research and Marketing Act to contract certain work outside the Department. It is a thing that has been little used in the past. We have quite a number of contracts for experimental work with non-Government agencies at this time. We are working on one right now with the Grain Processing Corp. at Muscatine. I can name the process and that is all. I will have to call the Chief of the Bureau of Industrial and Agricultural Chemistry to give an explanation of it. It is called the fungal amylase project. I cannot spell it. There are some other projects that they are working on. There is one on wet corn and one for the use of damaged and spoiled grains in distillation. I cannot give much explanation of those. Those are projects that are being considered to be carried out on a contract basis with the present operators of the Muscatine plant. They have shown great interest in it. We have talked to them here. I am sure that they will make no money out of this \$25,000 that goes into this particular project. They will probably put in a good deal of their own time and effort and money to carry out this project. It is a thing they are fundamentally interested in as producers of alcohol. It is a substitute method for the use of malt in the brewing process. I just gave that explanation as an answer to your question regarding our own funds going in as a subsidy to the production of alcohol. I doubt whether that will be done. We do not envisage it at this time.

Mr. HOEVEN. How much money does the Government have invested in this plant?

Mr. OVERBY. I understand the plant cost about \$2,800,000.

Mr. HOEVEN. Has it been kept in good repair?

Mr. OVERBY. Yes, sir. In fact, I am told the operators have added substantially. They have put in a good deal of their own money which they have not claimed as rent reductions. The plant has returned to the Government in rental payments better than two and a quarter million dollars, some 75 percent of its value.

Mr. HOEVEN. What would you say is the value of the plant at this time?

Mr. OVERBY. I think the value of the plant at this time is probably greater than it was when it was built because there was a capital expenditure that went in there last fall of some \$500,000 to modernize it to increase its value for producing alcohol. It has been in full production and it is in good repair and is a valuable plant. It is probably the best laid out and the most modern plant of the three that the Government built. That is not saying anything against the other two, especially the plant at Omaha. I understand they had to get a lot of second-hand equipment. At the time that the plant was built they could not get the priorities necessary for the large equipment installations that were needed and they picked them up wherever they could. Muscatine was more fortunate and it is really one reason why we selected that plant if we should keep just one for commercial demonstrations.

Mr. JOHNSON. We had testimony before, I believe, that the Omaha plant had only been able to get a fraction over 20 percent priority on new material. Is that true?

Mr. OVERBY. I have heard such figures, Mr. Chairman.

Mr. JOHNSON. I recall back in the days of the Gillette committee I used to sit over there through the courtesy of Senator Gillette and I recall the fight the Omaha plant was making to get priorities and they just would not give them to them. Now, the Muscatine plant was built about the same time, was it not?

Mr. OVERBY. I thought it was a little bit later.

Mr. JOHNSON. Later, but they got 100 percent priorities and the Omaha plant was only able to get about 20 percent. A new plant entirely went in at the Muscatine plant and naturally during the first few years they should operate very efficiently as compared with the others. They did not have the same even break in the other plants, did they?

Mr. OVERBY. That is correct, and I do not mean to say a thing against the Omaha plant. In fact, they have a very good record also in producing alcohol at a reasonable rate for the Government and at a tremendous volume during the period when it was needed. They did produce a great deal of alcohol. It just happens that, because of some of these difficulties in wartime construction, that the Muscatine plant ended up by being a more modern plant and naturally if we were going to pick one to be held I think that is the one that should be kept. It is more modern in design.

Mr. JOHNSON. Has not the Omaha plant a research organization within themselves there, too, on the use of surplus and farm products and also developing a lot of new agricultural products that might be processed for commercial and industrial uses?

Mr. OVERBY. I think they have been very much interested in certain phases of research of their own and some of our laboratory work. They have also done some very good work. Again, I say nothing against the Omaha plant. It has done some very good work.

Mr. JOHNSON. Did we not have testimony here just recently that the Omaha plant had been doing a lot of this work on that name you could not spell, fungal amylase? They have been doing a lot of work on that. Now, getting also to the Kansas City plant. They have a wonderful research laboratory recently established at Kansas City. I had the privilege of going through that laboratory not long ago. I was amazed at what they are developing in the line of agricultural products. That is done without profit. They are just developing new uses for many things in agriculture. Personally, I would like to see the Government keep all three of these alcohol plants because I think we are going to need them. I will drop that subject at this time.

Mr. OVERBY. Well, it is just a question of which way you want to go, whether you want to keep all these facilities in Government ownership. Of course, if we had one and stressed research to the greatest extent, it would all be research that is publicly available, and if we found profitable methods of disposing of damaged grains or utilizing them, that material would be available to the other plants whether they are in private or public hands. They would probably, if conditions warranted, be producing alcohol from surplus grain products, the same as Muscatine would in Government hands. It is just a question there of what direction you wish to go.

Mr. JOHNSON. There is so much that we have not done and there are so many new things in the offing. As to the making of the synthetic rubber of butylene glycol, I do not know of any place that that is being done but Louisville.

Perhaps you are more familiar with that than I am. That gave great promise of lower production costs in the producing of synthetic rubber. On several occasions I met the man who has done more work on that than any other man in the country. I remember at that time that it was at a very secret meeting. I recall that during the war they had hoped to attain 7 pounds of butylene glycol per bushel of grain where we were getting about $5\frac{1}{2}$ pounds of butadiene per bushel of grain with the old distillation process.

They put in a pilot plant there. Twice in the past year I have met Dr. Stark and I asked him if they were able to achieve that end and he said yes; 7.4 pounds of butylene glycol, which is equivalent to a pound of synthetic rubber.

The styrene added is not costly. Butylene glycol is a simpler process. In the future we do not know where we will be on rubber, and maybe we will need a lot of these plants for making rubber. It is just unlimited in research, and I do not want to be stingy in research. However, we are not discussing that now. We have a bill before us. I will let you continue.

Mr. HOEVEN. What is the attitude of the Department of Agriculture relative to the disposition of the Kansas City and the Omaha plants?

Mr. OVERBY. Of course we had to make the decision when we told the RFC about a year ago. We had to make the decision whether we wished to continue sponsorship of those plants. They were under our sponsorship up to that time. Before RFC could declare those surplus for disposal we had to withdraw our sponsorship. We did that about a year ago, after a great deal of consultation in the Department as to just which way we should go.

We decided, at that time, that probably the thing to do was to keep one plant and let the others be sold. We decided the research work could pretty well be done at one of these plants. They are quite tremendous installations.

That decision was made and we released our sponsorship on the Kansas City and Omaha plants, which meant they were in a position to be declared surplus and sold by the Government.

That is why they came up before your committee this year when the bids were being considered by War Assets Administration. That does not mean you could not change it, of course. It was just based mainly on the fact that if we were going to lead in carrying research projects to a commercial plant we could probably do it in one good plant, and we selected Muscatine as the plant to do that.

Mr. HOEVEN. We are talking about retaining this plant for the purpose of national defense and taking care of surplus agricultural products. Suppose there is a real emergency in this country? Are we going to be able to get along with the one plant at Muscatine, or should we be a little bit careful about disposing of the Omaha and Kansas City plants? What do you think about it?

Mr. OVERBY. As I was trying to indicate, the plants will be there for production whether we own them or not. There may be conditions in which it would be very valuable, if we had another national emergency, and in which it would be well for the Government to own these plants.

All I can say, at this time, is that we did think of the possibilities and as to just what the ultimate disposition of these plants should be, and we could not quite see our way clear to recommend to the Congress that retention of all those plants be kept in the Department of Agriculture. It is a rather new venture for the Department to take on large-scale commercial operations of this kind.

Mr. POAGE. It does not come under the Department of Agriculture, I know. But is it not true that in any proposed sale of those plants it has been contemplated that the purchaser would have to commit himself to maintain the plants as alcohol plants so that they would actually be available and that the capacity for producing alcohol in the Nation would, under those conditions, be just as great after the sale of those plants as it was before?

Mr. OVERBY. For a 2-year period, I believe. I do not know that, Mr. Poage. I thought that in the discussion before the committees, in the Senate and the House, there was an indication that they could not be sold for any other purpose for a 2-year period.

Mr. HOEVEN. That will only be done if they invoke the national-security clause, which they have not done.

Mr. OVERBY. I see. I did not realize that.

Mr. HOEVEN. I understand they waived it.

Mr. OVERBY. I see.

Mr. HOEVEN. Just one more question.

I do not want to prolong this discussion. The Department of Agriculture now is assuming the responsibility of recommending to this committee that we permit the Omaha and the Kansas City plants to be disposed of as surplus property?

Mr. OVERBY. That is the net result of what we have done so far, Mr. Hoeven.

Mr. HOEVEN. I understand that is your recommendation. I want the record to show that.

Mr. OVERBY. That is correct.

Mr. JOHNSON. Any further questions?

Mr. PARKER. May I ask one question on fungal amylase? Has the Muscatine plant made use of that process at the present time in the production of alcohol?

Mr. OVERBY. No, I do not believe so, Mr. Parker. I think they have been working with the development of it and watching it closely.

Let me ask Mr. Speh.

Mr. SPEH. They have run some small-scale tests, but nothing on a commercial size.

Mr. PARKER. How about the plant at Omaha? Did they not put it into plant operation in Omaha during the war?

Mr. SPEH. They have been interested in fungal amylase. I believe they were trying out the moldy bran method, which is entirely different from the production of fungal amylase and the method the Northern Laboratory has developed. They did use the moldy bran as their source, and did make some runs with the fungal amylase, but again I do not believe it was ever set up as a continuous commercial operation.

Mr. PARKER. The reason I asked was that when Mr. Johnson testified in connection with the Omaha plant at the other hearing before the committee he testified that the Omaha plant was the first alcohol plant in the United States to use fungal amylase and that they developed it and had used it in commercial operation at Omaha and that, as a result of that application, it had reduced the cost of alcohol produced during the war at that plant by somewhere around 4 cents per gallon.

I was wondering if they might not have a lot of know-how at the Omaha plant that might be lost unless the Omaha plant was brought within the purview of this bill.

Mr. OVERBY. I would doubt that very much, unless our technical men had another answer.

Mr. SPEH. As I say, the use of fungal amylase was not new to them. They did make it. They had a method of production there on moldy bran, which is a different method for the production of the fungal amylase, and which did not always give them a true result.

The characteristics of the amylase changed from time to time. They were not able to hold their action to standard and they had some trouble in introducing it commercially.

We looked into the method and we actually examined 300 different strains and we developed this method of the production of fungal amylase by the submerged cultural method, which does give us a more standard amylase. And we believe that out of the 300 we have selected those strains which do function best.

Now, that is the big change we have made, and the application of that by the addition to whatever you call the batch.

Mr. PARKER. What was the comparative cost of production of alcohol in the Omaha and Muscatine plants.

Mr. OVERBY. I will have to see if some of the people here have those figures. Mr. Wyckoff, of our Plant Financing Division, may have it. The figures we have here, Mr. Parker, are the net cost per wine gallon for industrial alcohol in the three Government-owned

plants for three quarters of 1945. This shows the Grain Processing Corp. at Muscatine had 66.22 cents per wine gallon. The Farm Crops Processing Corp. at Omaha had 59.95. The National Distillers Products Corp. at Kansas City, Mo., 83.78 cents per gallon.

Mr. PARKER. In other words, the Omaha plant was considerably the lowest-cost producer.

Mr. OVERBY. Yes. You understand the Omaha plant is about twice the size of the Muscatine plant. The volume may have something to do with that.

Mr. PARKER. Are those the latest figures the Department has?

Mr. OVERBY. As far as I know they are the latest audited cost figures that we depend on.

Mr. JOHNSON. Mr. Overby, do you have anything further?

If not, I think we will hear Mr. Wyckoff and get into more of the financing. We have already gone into his field. Do you have anything further to add?

Mr. OVERBY. I have nothing else. I will be here, if there are any questions the committee wishes to bring up.

Mr. JOHNSON. The counsel has one more question.

Mr. PARKER. Section 5 of this bill provides that the Secretary of Agriculture shall assume all obligations of the RFC covering operations of the plant. What are those obligations if you know?

Mr. OVERBY. I think that is a question that should be considered and clarified in this meeting here.

I think that is a standard clause. When we submitted this draft legislation through the Budget Bureau, as our custom requires, it was referred to the other interested agencies of the Government. The Reconstruction Finance Corporation suggested the addition of that paragraph, which I am sure is needed to clarify a transfer of this kind from one Government agency to another.

I am not fully familiar with everything that is involved there. It means that we take over the outstanding contracts and obligations, but I would be very happy if that could be clarified a little when the representative of the RFC takes the stand, if you plan to have him testify. If not, I will get it from them and furnish it to the committee here.

Mr. PARKER. I was wondering whether it gave any priority to the present lessee or whether it restricted in any way the authority the Department would derive from section 2 to make the plant available upon some other arrangement other than a lease arrangement.

Mr. OVERBY. My understanding is that we would inherit the lease if it is transferred today. That lease has cancellation clauses in it for certain conditions, and I think within 30 days we could cancel the lease if we wished to do something similar to what you suggest. So we could invoke some other method of operation if it were desirable. As to the priorities that they may have on the purchase, I think it is a standard clause that appears in most plant contracts under the RFC which sets up two conditions, that is, the value less depreciation or an appraised value of the plant at a given time under which the operator or the lessee can purchase the plant.

I am not enough of an expert on that point. I think it should be clarified fully before this subcommittee as to just what we are taking over in that section 6 of the bill. I would be glad to get more clarification of that myself. That is as much as I understand about it.

Mr. JOHNSON. Thank you very much, Mr. Overby.

Mr. OVERBY. Thank you, Mr. Chairman.

Mr. JOHNSON. We will now hear from Mr. Wyckoff.

Will you state your official position for the record?

**STATEMENT OF J. B. WYCKOFF, PLANT FINANCING DIVISION,
PRODUCTION AND MARKETING ADMINISTRATION**

Mr. WYCKOFF. My name is J. B. Wyckoff, of the Plant Financing Division, Production and Marketing Administration.

Mr. Johnson, I could make a very brief statement, if you would like, about the history of the plant, although I think it has been given you.

Mr. JOHNSON. We would be very happy to have you do so.

Mr. WYCKOFF. In 1943, when there was a surplus of grain available and a shortage of rubber, as we know, these plants were constructed under considerable pressure of time. They got into operation early in 1944, all of them, and produced, on the basis of a 24-hour day and 7 days a week, a volume of alcohol which, we have been told, was the main reason why the rubber program was successful.

They contributed their part to the war, selling their alcohol to Defense Supplies Corporation on a cost-plus contract, with audits made by OPA, and on a basis of what was considered a rather moderate profit. They were allowed a profit of 4 cents a wine gallon produced.

Mr. JOHNSON. Mr. Wyckoff, will you pardon an interruption right there? Would you agree with me that it is altogether possible that if it had not been for this alcohol production of synthetic rubber we might have lost the war—together with the alcohol that some far-sighted people in the Department had purchased and stock-piled?

Mr. WYCKOFF. Oh, yes. I had heard that the contribution of these plants to the rubber program was immeasurable.

The plants did other things during the war—in using surplus potatoes, in producing sirup from corn, in converting spoiled and wet corn which normally was not used by distillers, in converting it into alcohol, in producing a tremendous volume of feed from waste which had not been customarily produced by our distillers and which was badly needed, in using a number of the byproducts, some of which had never been used by other distillers, CO₂ for dry ice, for instance, and fusel oil.

All three plants can be considered to have been an important war project. Our selection of the Muscatine plant, as Mr. Overby told you, is based primarily on our need for having a commercial plant, commercially operated, Government-owned, in which we could carry on projects which have been developed in our Peoria laboratory, which is primarily devoted to distillation and the use of grains, and projects which have been carried through the pilot plant. We have a pilot distillery in Peoria.

It seemed to us that this plant for many reasons is well adapted for such use, not only because of its nearness but also because of its size. As Mr. Overby said, these are tremendous plants. I believe the one at Omaha is the second largest distillery in the world. The Kansas City plant is probably third or fourth, and the one at Muscatine is near the top.

We were choosing among big plants, not just little plants. It happened that the one at Muscatine, by accident more than anything else, had in it more new equipment than the others. I have been told that the Omaha plant within the last year has been able to replace, at the lessee's expense, a considerable part of the equipment which was second-hand at the beginning. The plant at Muscatine had had a great deal of improvement put into it by the lessee.

You ask what its value is today. It cost the Government \$2,800,000. There has been an investment approaching \$700,000 by the lessee. You have \$3,500,000 in there. I suppose it could not be reproduced for less than 25 percent more than that. Its return to the Government already is about two and a quarter million dollars. It is a good investment, a good thing to hold on to, not only for demonstrational purposes but for conservation and the uses to which it was put during the war.

Mr. JOHNSON. Mr. Hoeven has a question.

Mr. HOEVEN. You speak about the money put into it by the lessee. Do they retain any title or ownership to the equipment?

Mr. WYCKOFF. No. The equipment which they put in and the money which they invested in it is all in the hands of the Government, in Government ownership. Title is in the Government.

I was rather surprised to see it done because it was done at a time when their lease made a 10-day cancellation possible.

Mr. JOHNSON. Was that partly for potatoes, that equipment, and was it largely for protein feed recovery?

Mr. WYCKOFF. They put in a great deal of equipment for handling potatoes. Potatoes are a lot more difficult to handle than grain. They put up a building there and all the conveying equipment—the underground conveyors—at their own expense. They put in a lot of refining equipment in their distillery, and they replaced most of the metal piping with copper as soon as they could get it.

Mr. JOHNSON. Mr. Wyckoff, you say that there is a 10-day period of canceling leases. Does that carry with it the cancellation of any option to buy? I should have waived that question until we hear from the RFC, however.

Mr. WYCKOFF. It is their lease.

Mr. JOHNSON. That concludes your statement, Mr. Wyckoff? Are there any questions?

Mr. Heimbarger, counsel for the committee.

Mr. HEIMBURGER. Mr. Wyckoff, could you give us the grain capacity of these three plants, please, in terms of annual figures?

Mr. WYCKOFF. The Omaha plant has a capacity of 30,000 to 35,000 bushels of grain per day, or an annual production of 17½ million gallons of alcohol.

Mr. HEIMBURGER. I would like to get the grain consumption on an annual basis. You say 30,000 to 35,000 a day. Is that a 5-day week, or a 7-day week, or what?

Mr. WYCKOFF. We normally use a figure of 300 days a year.

Mr. HEIMBURGER. So, that would be 300 times 30 or 35, is that correct?

Mr. WYCKOFF. That is correct.

Mr. HEIMBURGER. Just a little about this process, does it make any difference in their grain consumption whether they operate 8 hours a day or 24 hours a day? What is this figure, a 24-hour-day operation or a 8-hour-day operation?

Mr. WYCKOFF. 24-hour day.

Mr. HEIMBURGER. So that could not be increased.

Mr. SCHAFFER. They could go up to 400,000 a day.

Mr. HEIMBURGER. Then the annual consumption would be 40,000 times 300?

Mr. WYCKOFF. That is a very high maximum. The Kansas City plant has a capacity to process 18,500 bushels of grain per day. The Muscatine plant has a capacity of 13,000 bushels per day.

Mr. HEIMBURGER. Does it make any difference in the volume of consumption whether they are using corn or wheat? What would be the case there?

Mr. WYCKOFF. There would be no difference.

Mr. HEIMBURGER. It would be about the same with either grain? Now, did these plants actually reach this capacity during the war or is this merely a projected capacity?

Mr. WYCKOFF. Oh, they reached and exceeded it.

Mr. SCHAFFER. A good running operation is around 33,000 bushels a day.

Mr. WYCKOFF. For example, the Omaha plant with a rated capacity of 17,500,000 wine gallons produced 25,000,000 wine gallons in 1945.

Mr. HEIMBURGER. What did Muscatine produce?

Mr. WYCKOFF. I am sorry, but I do not have that figure. Proportionately, they were all operating the same. They operated 7 days a week on industrial alcohol.

Mr. HEIMBURGER. Do these plants ordinarily operate 7 days a week? Is it more economical in one of these operations if it is a continuous process?

Mr. WYCKOFF. Because of the fact that some of the alcohol goes into beverage use they cannot operate on Sunday anywhere. When it was purely industrial wartime alcohol, they operated 7 days a week.

Mr. HEIMBURGER. Mr. Wyckoff, I do not know whether you are the one in the best position to answer this question or not, but I will ask it of you any way since you seem quite familiar with these plants. In the report of the Secretary of Agriculture to the Senate on April 5, 1946, these three plants are discussed individually and recommendations are made as to the use and probable disposal of each plant. With regard to the Omaha plant, that report says:

It would be desirable in the interest of national defense to maintain this plant as an integral unit either in actual operation or in stand-by condition.

It goes on to say:

It is probable that this plant would play an important part in any program which might be adopted in the future disposal of surplus crops.

It says almost the same thing about the plant at Omaha:

It would be in the national interest, regarding the Omaha plant—

to have this plant remain as a complete unit. Should it not be possible to arrange satisfactory terms of sale, it might well be held in stand-by condition by the Government as a national defense measure or used in experimental or surplus disposal programs.

About the same thing is applied to the Muscatine plant, where the Secretary says in his letter that it should be kept by the Government if present lessees do not exercise their option. Now, sometime after

that report was made the Department changed its position on two of these plants. I just wonder why, if one of the plants is important to the disposal of surplus crops, the others are not equally important or even perhaps more important, since they have a greater capacity for disposing of those crops.

Mr. WYCKOFF. Well, I would say our thinking about it was along this line. Those plants should be maintained and should be available and preferably should be in operation. If there is a surplus of alcohol, nobody is going to operate them profitably and they would have to be held as stand-by by someone. If the Government is going to hold them as stand-by, it is quite an expensive operation. You have to pay insurance, for guards, all the maintenance charges, which can run to considerable sums. The Department of Agriculture, of course, has no appropriation for any such maintenance expense, should the plants be its responsibility. I think it was quite proper at that time, and right now, that the Department of Agriculture have an interest in seeing that the plants are there and preferably are operated. Whether they are under Government ownership or private ownership there is not, as far as the other two are concerned, a great difference as long as they are operated and available.

Mr. HEIMBURGER. If it is expensive for the Government to maintain these plants in a stand-by condition would it not be equally expensive for the operator. What makes you think he would do that?

Mr. WYCKOFF. Many plants are so maintained in private ownership for seasons or sometimes years. If the Government wants to take on the expense in order to insure that the equipment is not dispersed, it would be a considerable financial responsibility for some agency to take.

Mr. HEIMBURGER. What are the prospects for the demand for alcohol in the foreseeable future, Mr. Wyckoff? Does it look like that might be a profitable business to be in?

Mr. WYCKOFF. It changes overnight. The demand for industrial alcohol, I understand, is pretty strong now and the price is high. It has fluctuated within the last 6 months at least 40 cents a gallon from where it is now, up and down.

Mr. HEIMBURGER. I would like to point out in connection with this line of questioning that had it not been for the activity of this Committee at the previous hearing, these two other plants would have been disposed of by War Assets Administration with no strings attached that would have guaranteed their continuation for use, because the security clause had been waived and at least one of the bids received by the War Assets Administration for the Kansas City plant contemplated the disposal of the plant and removal of its equipment and machinery to use in some other industry.

Mr. WYCKOFF. I did not know that.

Mr. HEIMBURGER. That is all, thank you.

Mr. JOHNSON. Have you anything further, Mr. Wyckoff?

Mr. WYCKOFF. I have nothing.

Mr. JOHNSON. Mr. Parker has a question.

Mr. PARKER. Under the purposes of this bill, it is intended for the Department to conduct research and discharge its responsibility in connection with surplus agricultural commodities and provide for the production of alcohol for the needs of national defense, etc. I just wondered whether you felt one plant was sufficient to carry out the

declared purpose of the bill and at the same time permit the Muscatine plant to produce alcohol on a commercial basis in sufficient quantities to be profitable.

Mr. WYCKOFF. Indirectly, I think the Muscatine plant can meet all those objectives in this way. At present in the Muscatine plant they are conducting a very interesting experiment in the production of potato flour on equipment in their feed plant which was put there primarily to dry the distiller's waste. No distiller had ever made potato flour on his distiller's waste equipment. With the help of our laboratory in Peoria, the people at Muscatine, with no expense to the Government, have made the changes we have suggested in the equipment and are producing potato flour, using surplus potatoes, to meet a need for potato flour in France which right now is very big, so that the whole program which is being demonstrated at Muscatine can now, as soon as it is perfected—and it is practically there—be carried into any distillery which has feed recovery equipment and there must be a hundred of them in the United States. We are there by demonstration expanding the opportunity to put potatoes into food for European feeding and our own. And by the demonstration the figures, the costs, the operation process, all is public property because it is being done in a Government-owned plant. I think it is meeting the objective of this bill as far as a means of disposing of surplus is concerned. Now, the same thing will be true under these projects which we have, the fungal amylase, for example. If we are able to produce a method, by demonstration in this plant, which will reduce the cost of industrial alcohol by 4, 5, or 10 cents—we hope it will be more—we are making industrial alcohol for grain fit a little better into the industrial alcohol market and making it possible for grain to be a little better competitor of black-strap molasses than it has been by the demonstration in a Government-owned plant where the costs and the doors are wide open to anybody else who can do likewise.

Mr. PARKER. The point was whether one plant is sufficient to carry out all the items of research and at this time permit that plant to produce enough alcohol on a commercial basis to be profitable.

Mr. WYCKOFF. One plant, as far as the consumption of grain is concerned, is only a drop in the bucket, that is true. The three plants added together would consume five times as much grain as this one plant.

Mr. HOEVEN. Mr. Chairman.

Mr. JOHNSON. Mr. Hoeven.

Mr. HOEVEN. Just one question, Mr. Wyckoff. Do you have the same option provision for purchase by the operator or lessee in each of the three plant contracts.

Mr. WYCKOFF. I think that would better be asked the Reconstruction Finance people who operate the lease.

Mr. HOEVEN. You do not know anything about it?

Mr. WYCKOFF. Not specifically.

Mr. POAGE. I want to ask you this. When you get the plant, do you consider that that carries with it the authority to lease that plant after you take it under the terms of this bill with an option to purchase?

Mr. WYCKOFF. We take over the obligations of the contractor and I can only assume that option to purchase would carry over to us. It would be our responsibility.

Mr. POAGE. In other words, assume that if we pass this Bill, where we obviously are trying to keep this Government plant in Government hands, it carries with it the right that whoever is operating this plant may at any time he sees fit buy the plant from the Government? If that is correct, I think we might as well ditch the bill right now.

Mr. WYCKOFF. I think it would be better for Mr. Hersh, who is an attorney for the RFC, to answer it.

Mr. POAGE. I am not asking RFC's interpretation. They are to be out of the picture pretty soon. I am primarily interested in what Agriculture's interpretation is because you gentlemen are going to be running this show and I want to know if you insist that under the terms of this bill if we pass it without change, are you going to tell us then that you have the right to sell that plant 3 days after we turn it over to you?

Mr. OVERBY. May I answer that question? I think the Senate committee made a slight amendment on this bill which would be very acceptable to the Department of Agriculture when they changed the writing of section 3 and made it read as follows:

Whenever the Secretary finds that the operation of the plant as provided in this Act is no longer necessary or desirable, he shall report such fact to Congress, with his recommendations for disposition of the plant.

We had it in there previously that we would just turn it over to War Assets and I think this is probably agreeable with the Department of Agriculture. We will come back and report it to the Congress if we are not in a position to operate it.

Mr. POAGE. That is still not the answer to the question I am interested in, though.

Mr. OVERBY. This would have to govern any clause that we put in a lease to a plant. We would not then be able to put in a clause, as RFC has, with any priority to purchase the plant.

Mr. POAGE. I do not think that follows at all, because this provision, as I read it, says that whenever the Secretary finds that in carrying out the authority and so on, it is no longer necessary or desirable for him to operate this plant, then he can come to Congress and report that he does not need it any longer. I am not taking about when he finds anything. I am talking about whether we are going to tie this plant up in such a manner that regardless of what the Secretary finds the operator of that plant can on any day say: "For a certain amount of money I have decided I want the plant. Your experiments are going along all right, but I have decided I want the plant and I will take it."

If that is true, then we ought not to pass this bill.

Mr. OVERBY. I think perhaps we need some guidance from the committee, Mr. Poage, on just what the committee wishes to be in there. We may have to cheek with the present lessees, that is, as to what we will inherit under section 6 of this bill, but I am sure that the Department in asking for ownership of this plant is willing to continue that ownership and not just drop it a week hence.

We did figure in the beginning that we thought at least for the time being we should take that ownership and if it became a matter of great expense to the Government, we could then turn it over to War Assets. That was the original thinking.

Mr. POAGE. I have no objection when you cannot operate the thing to reporting up here to Congress and saying you want to be relieved of it. That is a different story.

I am talking about making it so that regardless of the Government's interest, you would have to part with title to it. I do not see why we need to pass the legislation if we are going to give somebody the opportunity to take it over if it is good and leave it on the United States if it is bad. I do not see any need of passing any such legislation as that. They could take it now if it is profitable and if it is unprofitable they are going to leave it in the hands of the Government, of course.

Mr. OVERBY. I think that could well be written into the bill itself.

Mr. POAGE. Let me ask you this further question. If we do write that into the bill, and it seems clear to me that we should write it in, then will that change your answer that you gave me a while ago about leasing this plant? You will recall that I asked you if you felt that you could secure a lessee of the plant to operate it without paying anything out and still get the experimental work that you want done. It was your suggestion that you felt an adjustment in the rental would be sufficient to secure the experimental work that you want without subsidy from the research program.

Now, I can readily see how that adjustment of rental would be adequate to get this adjustment if the operator of the plant had the option at any time to buy the plant if he wanted to at a fixed price, whereas it might not be adequate at all if he could not buy that plant at a fixed price.

With that amendment that we are speaking of now, would that change your answer?

Mr. OVERBY. No, sir; I do not believe it would. I think these plants basically are profitable operations and if the rent figure is set properly you can adjust the profit of the plant by adjusting the rent figure. I do not think there is much chance that there cannot be a profitable operation in any period when there is a good alcohol market and grain prices are such that grain should go into alcohol.

Mr. POAGE. Have you actually got an operator for this plant on contract? I assume that you have worked out a deal with the present operator.

Mr. OVERBY. We have discussed it in great length with the present operators; yes, sir.

Mr. POAGE. And have arrived at an understanding that you think is mutually satisfactory?

Mr. OVERBY. I think they would continue the operation. They have a very good operating organization and it is quite a large organization.

Mr. POAGE. And has the question of the option to buy the plant entered into those discussions?

Mr. OVERBY. Not as far as I know. I am quite sure it has not.

Mr. HOEVEN. Will the gentleman yield?

Mr. POAGE. Surely.

Mr. HOEVEN. Would the Department object to a provision in this bill which would restrict the sale unless specifically authorized by Congress?

Mr. OVERBY. Without the authority of Congress?

Mr. HOEVEN. Yes.

Mr. OVERBY. No, sir.

Mr. HOEVEN. You would definitely restrict the sale?

Mr. OVERBY. We would not object to that. I think that is what the provision by the Senate committee does.

Mr. POAGE. No; that is only when they find it necessary for the purposes of the Department of Agriculture, as I understood you to read that.

Mr. HOEVEN. I am talking about a definite restriction on the sale without the authority of Congress.

Mr. OVERBY. I do not think we would object to strengthening this any way you wish to strengthen it. We have never thought of it in that way. About the only way we have thought of it, gentlemen, was that we would like to be able to get rid of it if we could not get a lessee and if the plant became a budget issue in its operation. Then we thought we would be in a position where we would have to divest ourselves of it. That is the reason for the original language. We have no objection at all to specific language prohibiting its sale until it is approved by Congress.

Mr. JOHNSON. Do you have anything further, Mr. Wyckoff?

Mr. WYCKOFF. On this subject, I think I am safe in saying that from my discussions, from the standpoint of the lessees, that I believe they would prefer to continue to rent rather indefinitely than to own.

Mr. JOHNSON. Thank you very much, Mr. Wyckoff.

Mr. WYCKOFF. You are very welcome.

**STATEMENT OF JAMES L. KELEHAN, ASSOCIATE DIRECTOR,
OFFICE OF DEFENSE PLANTS, AND MAX HERSH, COUNSEL,
RECONSTRUCTION FINANCE CORPORATION**

Mr. JOHNSON. We will hear from Mr. James Kelehan.

Mr. KELEHAN. If it is satisfactory, I would like to have Mr. Hersh, the counsel, sit with me.

We have also prepared a very brief outline of the history of this and the terms of the agreement which I would be happy to furnish to the committee. I do not care whether it goes in the record or whether I read it or not. Unless you wish me to read that, Mr. Johnson, I will be glad to try to answer any questions the committee has.

Mr. JOHNSON. Your statement is not very long. Perhaps you had better read it.

Mr. KELEHAN. On January 7, 1943, War Production Board recommended to Defense Plant Corporation, through the Secretary of Commerce, that such Corporation furnish to Grain Processing Corporation the necessary financial assistance in order that a plant might be constructed at Muscatine, Iowa, at an estimated cost of \$840,000 to produce approximately 8,750,000 wine gallons of 190 proof ethyl alcohol per annum. War Production Board stated that the recommendation was made as part of the program to increase production of 190 proof ethyl alcohol.

Based upon such recommendation, an agreement of lease was entered into between Defense Plant Corporation and Grain Processing Corporation under date of February 13, 1943, providing for the construction of such plant at a cost not exceeding \$840,000 and the lease to such company of the plant for a term ending February 28, 1948, with a 2-year automatic extension ending February 28, 1950. Such

agreement of lease, on the recommendation of War Production Board, was subsequently amended, from time to time, to provide additional funds for the acquisition and construction of additional facilities in order to produce annually approximately 16,000 tons of dried solubles from distillers waste and 2,200,000 pounds annually of corn oil. Although the maximum amount authorized under the terms of the agreement of lease, as amended, for the construction and acquisition of all of the facilities covered by the project is \$3,044,337.30, the budget approved for disbursement on the project totals only \$2,787,570.29.

Under the terms of the agreement of lease, as amended, the lessee is required to pay this Corporation rental, as follows: 8.7 cents for each wine gallon of commercial alcohol and 4.5 cents for each proof gallon of distilled spirits manufactured or furnished in whole or in part through the use of the facilities, which rental was to be increased to 9.6 cents for each wine gallon and 5 cents for each proof gallon of alcohol produced commencing midnight of the date, as determined by Defense Plant Corporation, of commencement of operation of any of the corn oil facilities, provided that when the rent paid equals the amount expended under the agreement, plus interest on each expenditure (including direct expenses without overhead incurred by DPC) from the date thereof at the rate of 4 percent per annum less an amount equal to 4 percent on each rental payment from the date thereof, lessee is required thereafter to pay 5 cents for each wine gallon and 2.7 cents for each proof gallon produced through the use of the facilities.

Such rental is computed to return to the Government 22 percent of the cost of the facilities per annum at 80 percent of the estimated annual productive capacity of the facilities. The agreement further provides that the realizable market values of all byproducts incidental to the production of alcohol and/or distilled spirits are to be deducted from, and not included in, the price charged by the lessee for such alcohol and distilled spirits in sales to the Government or suppliers of the Government. The lessee is, of course, required to maintain the facilities, pay taxes thereon, and carry insurance at its own expense. The lessee has an option to purchase all but not part of the facilities, as had most lessees of Defense Plant Corporation facilities, for a period of 90 days after the expiration of termination of the lease at the higher of the following two schedules:

(a) The cost of the facilities plus 4 percent interest per annum thereon less the rental paid plus 4 percent interest on the rental payments; or

(b) The cost of the facilities less depreciation with a minimum residual value of 15 percent.

During such option period, the lessee is given the right to negotiate for the purchase or further lease of the facilities, and for a period of 90 days after the expiration of the aforementioned 90-day option period, lessee is granted a right of first refusal to purchase the facilities.

The lease further provides that, upon the expiration or termination of the lease and upon expiration of the option period; the lessee agrees, upon request of Defense Plant Corporation, to grant a nonexclusive royalty-free license to Defense Plant Corporation or to any purchaser, transferee, lessee, or operator of the plant or the machines and apparatus (a) to use in the plant all inventions, discoveries, and patents which are used in the plant during the term of the lease which the

lessee owns or controls, or may hereafter own or control, during the term of the lease and prior to the expiration of the option period, and (b) to use, keep in repair, and sell for use all the machines and apparatus which may be covered by any inventions, discoveries, or patents which the lessee now owns or controls, or may hereafter own or control during the term of the lease and during the option period. Such license in connection with the machines and apparatus, whether they are used in the plant or to be moved to some other location and is to continue during the life of said machines and apparatus.

On September 27, 1945, the War Production Board advised that the continued operation of the facilities was no longer required for war purposes; that such agency was not in a position to determine whether the facilities were needed to satisfy civilian requirements; and, therefore, recommended that the question of necessity for completion and continued operation of the facilities should be referred to the Department of Agriculture. On October 16, 1945, the Department of Agriculture assumed the sponsorship of the project in place of War Production Board. On December 4, 1946, this Corporation requested the Secretary of Agriculture to review this project, among others, with a view to the possible termination of the lease and to advise whether such agency had any objection to the termination of this lease. In reply, on January 16, 1947, it was requested that consideration of the termination of this lease be postponed. In view of the desire of this Corporation to terminate all leases which covered facilities no longer required for war production, a conference was had on February 6, 1947, with representatives of the Department of Agriculture and the Office of War Mobilization and Reconversion concerning termination of the lease. As a result of such conference and after correspondence concerning this matter, on May 29, 1947, this Corporation was requested by Mr. Stein, Director of the Office of War Mobilization and Reconversion, based on the request to him by the Secretary of Agriculture, to continue the lease on this project through March 31, 1948, pending the preparation and approval of legislation leading to the possible transfer of the plant from this Corporation to the Department of Agriculture. Consequently, on June 11, 1947, this Corp. advised Mr. Stein that in view of the information furnished by the Secretary of Agriculture and Mr. Stein's request, this Corporation would continue the lease with Grain Processing Corp. through March 31, 1948, subject to the understanding, however, that the proposed legislation would be prepared and submitted to the Bureau of the Budget and Congress as promptly as possible.

Mr. POAGE. Do we understand that under the terms of this lease the Grain Processing Corp. has an option to buy this plant?

Mr. KELEHAN. That is correct.

Mr. POAGE. And that that option extends until the 1st day of July 1948?

Mr. KELEHAN. If the lease is not extended, that is correct.

Mr. POAGE. There is nothing that anyone can do and there are no laws that we could pass, as I understand it, that could terminate that option prior to the 1st of July 1948?

Mr. KELEHAN. No, there is no law you could pass, but it is quite possible the operator of the plant would be willing to waive the option.

Mr. POAGE. I can understand they might not want to exercise that option.

Mr. KELEHAN. They might be willing to waive it.

Mr. POAGE. I understand they might be willing to waive it in order to get a new lease for it. I am just getting this straight, that there is nothing anyone can do without the consent of the Grain Processing Corp. to keep them from exercising this option between now and the 1st of July if they want to.

Mr. KELEHAN. The lease expires on March 31 and thereafter they have the 90-day option period and we cannot prevent them from exercising it, that is correct.

Mr. POAGE. That is correct. Now then, they can buy those facilities at cost less the depreciation, but the contract does not say at what rate you figure depreciation.

Mr. KELEHAN. Yes, it is set forth in the lease.

Mr. POAGE. I see.

Mr. KELEHAN. Generally speaking, I know the depreciation rates are 5 percent on land and buildings, 12 percent on machinery and equipment, and 25 percent on portable tools.

Mr. POAGE. I see. And that would mean there would be a 25 percent per year reduction on the cost? I understood it was on the cost.

Mr. KELEHAN. The option is one of two alternative bases, whichever is higher.

Mr. POAGE. That alternative B gives them the option to buy at the cost of the facilities less the depreciation with a minimum value of 15 percent. That means, as I understand it, that with the 5 years that have gone by that there has been 25 percent depreciation on the buildings and the land, and portable tools have been wiped out so far as book value is concerned.

Mr. KELEHAN. It runs from the time of the use of the facilities, not from the time of the lease. The facilities, as I recall it, were put into use in about December of 1943.

Mr. POAGE. That is still about 4 years. Anyway, there is 20 to 25 percent depreciation on the land and buildings and there is 50 to 60 percent depreciation on the equipment and 100 percent depreciation on portable tools. We now understand that the property is worth a good deal more than it cost. I would think these people should be rather simple if they did not exercise that option and buy this property which has enhanced in value while these people are able to buy it at somewhere around 60 percent of the cost.

Mr. KELEHAN. I would not want to question at all the testimony as to the value of the plant. It no doubt is much more accurate than any I could offer.

Mr. POAGE. The cost of everything has gone up, of course.

Mr. KELEHAN. I do know that out of our 2,200 projects the lessees on them have exercised options on less than a hundred of the plants.

I would like to correct my earlier testimony. I was in error. The lease itself does not expire until 1950. It automatically extends. It ran until 1948 and it automatically extended for 2 years. The March 31, 1948, date is the date that OWMR told us to let the plant go without exercising our right to terminate the lease.

Mr. POAGE. Do we understand that though we transfer this property from the Department of Agriculture that unless they can negotiate some new deal with these people that they have a lease on it for the next 2 years and there is nothing we can do about that?

Mr. KELEHAN. The lease permits the Government to terminate it on 10 days' notice, in the event the production facilities are not substantially required for production.

Mr. POAGE. I would think that would determine it.

Mr. KELEHAN. I do not know where this production is going at the present time, but it was not last summer, for instance, going for Government production. We could have easily terminated the lease at that time.

Mr. HOEVEN. Has it been determined at this time whether the present lessees are going to exercise their option as of purchase?

Mr. KELEHAN. No; we have not asked them.

Mr. HOEVEN. Just one other question. Referring to page 2 of your statement, you set out two alternative option provisions. Do the same provisions pertain to the contracts with the Omaha and Kansas City plants?

Mr. KELEHAN. I did not examine them before I came up here, but I am quite sure they contain similar provisions. These are standard.

Mr. HOEVEN. And you have the same provisions in all three contracts?

Mr. KELEHAN. That is my understanding. You understand that the leases have been terminated on the other two and their options have expired.

Mr. HOEVEN. Yes.

Mr. PARKER. If the plant continues to be used for the production of alcohol for war purposes, does the lessee have any privilege or right to terminate the lease?

Mr. KELEHAN. No; he does not.

Mr. PARKER. Then the Government could insist upon its continued operation, at least, under the present lease as long as the production or a part of the production of the plant is going for war purposes?

Mr. KELEHAN. We could insist on continuance of the lease. I think it would take the exercise of some other powers to require them to actually produce. We could terminate if they did not produce and get them out of there.

Mr. PARKER. But under those circumstances they would have no right to purchase if they refused to perform under the lease?

Mr. KELEHAN. That is correct. They would be in default and could not exercise the option.

Mr. PARKER. They would waive their option to purchase. Do you have anything at all as to the financial history of the present lessee?

Mr. KELEHAN. We have nothing as to the profitableness of the operation. Defense Supplies in the Reconstruction Finance Corporation would have that, since they purchased it on a cost-plus basis. We have collected 2,223,000 of rent up through December 1, 1947.

By financial history, do you mean the organization of the company and so forth?

Mr. PARKER. The organization and the operative results of the company on an annual basis, since it took over.

Mr. KELEHAN. No; I cannot give you that.

Mr. PARKER. On what basis did the Defense Plant Corporation arrive at the amount of rental?

Mr. KELEHAN. We arrived at the rental in the usual way we did on this type of case. We took the 22 percent depreciation which we

took on alcohol and chemical plants quite generally and divided the result, 22 percent of the estimated expenditures, by 80 percent of what the annual production of the plant was expected to be.

Mr. PARKER. That bears no relationship to the profitableness of the operation?

Mr. KELEHAN. No; it does not.

Mr. PARKER. Did you state that you have the information concerning the original incorporators?

Mr. KELEHAN. Yes; we have it in our files.

Mr. PARKER. Could you supply that for the record?

Mr. KELEHAN. Yes; we will.

(The material referred to above is as follows:)

RECONSTRUCTION FINANCE CORPORATION,
OFFICE OF DEFENSE PLANTS,
Washington 25, D. C., March 4, 1948.

HON. ANTON J. JOHNSON,
House of Representatives, Washington, D. C.

DEAR MR. JOHNSON: You will recall that, during the hearing conducted by your subcommittee on Saturday, February 28, 1948, the counsel for the committee requested information as to the incorporators of the Grain Processing Corp. of Muscatine, Iowa.

Our records do not indicate who the incorporators were other than the general information that the corporation was organized by citizens of Muscatine, Iowa, to utilize the large quantities of grains in that geographical area.

You may be interested in knowing however, that the initial capitalization was \$25,000. Mr. G. A. Kent, president of the Grain Processing Corp., held 65 shares of the capital stock and Mr. S. G. Stein, vice president and secretary, held 35 shares.

In the event I may be able to assist you further, I would appreciate your advising me.

Very truly yours,

J. L. KELEHAN,
Associate Director, Office of Defense Plants.

Mr. PARKER. Do you know whether the original incorporators obtained any capital from the Government in connection with the incorporation and operation of the business?

Mr. KELEHAN. I am not sure, Mr. Parker. When we started out on one of these projects we had one of our examiners analyze what the financial condition of the company was and so forth. The first sheet we had indicated that the company was being formed by citizens of Muscatine, Iowa, who were anxious to get into alcohol production and that the two principal operators of the company or principal incorporators were Mr. Stein and Mr. Kent, and there was going to be a \$25,000 paid-in capital and Mr. Kent was able to obtain a \$100,000 line of credit from one of the local banks. Also, Mr. Kent, in his capacity as a partner in a grain exchange firm agreed to furnish the company \$100,000 worth of grain on credit.

Later on, I notice from our file, they got very substantial lines of credit through private banking facilities.

Mr. PARKER. That would indicate the operation was rather profitable, would it not?

Mr. KELEHAN. Yes.

Mr. PARKER. Am I correct that in connection with the Omaha plant, under the terms of that lease the Government received a rental on a gallonage basis and in addition thereto 50 percent of the profits?

Mr. KELEHAN. No. When we terminated that lease, we quite often made what we call an interim lease. That is, from the time the

lease is terminated until the time that War Assets has an opportunity to dispose of it, we make some temporary arrangement to keep the plant operating.

In making the temporary arrangement with the Farm Crops Processing Corp., we provided a rental that did permit us, after they had received some seventeen or eighteen thousand dollars of profit, to obtain 50 percent of any profits over that amount.

Mr. PARKER. That was only done as an interim measure?

Mr. KELEHAN. Yes. You see, it was difficult to determine in that particular case how much of the plant was going to be operated and under what kind of conditions and so forth.

Accordingly, we put in that sort of basis.

Mr. PARKER. Are there any other obligations which the Department of Agriculture would assume if this bill became law except the obligations specified in your prepared statement?

Mr. KELEHAN. Oh, yes. I did not attempt in the prepared statement to restate all the provisions of the agreement of lease. They would, of course, assume all the obligations we would have under the agreement of lease, the major ones stated in the prepared statement.

Mr. PARKER. Could you prepare for the record a list of all major obligations which the Department would assume?

Mr. KELEHAN. Certainly.

Mr. HOEVEN. I assume you are referring to section 5 of the bill?

Mr. PARKER. Yes.

Mr. HERSH. Mr. Parker, I am just wondering whether a copy of the lease and the amendments would not serve the same purpose, because the obligations are set forth there.

Mr. PARKER. I would rather have you interpret them, because you agreed to them.

Mr. HERSH. I think they are rather specific. I think no more is needed. But I will do that.

(The material referred to above is as follows:)

RECONSTRUCTION FINANCE CORPORATION,
OFFICE OF DEFENSE PLANTS,
Washington 25, D. C., March 5, 1948.

Re Grain Processing Corp. Plancor 1684.

HON. ANTON J. JOHNSON,
House Office Building, Washington, D. C.

DEAR CONGRESSMAN JOHNSON: You will recall that at the hearing before your committee on Saturday, February 28, counsel to the committee requested that this Corporation submit a statement of our understanding of the obligations which would be assumed by the Department of Agriculture under the terms of the agreement of lease and amendments thereto between this Corporation, as successor to Defense Plant Corporation, and Grain Processing Corp. if the legislation covering transfer of the Muscatine plant from this Corporation to the Department of Agriculture were enacted in its present form.

At the outset, we believe it should be stated that the Department of Agriculture would, of course, assume the obligations of an owner of the real and personal property included in the project and of a landlord who has rented such property. It would also assume the obligations of this Corporation in connection with administration of the provisions of the agreement of lease and amendments thereto, such as collection of rental, audits of the lessee's books, and inspections to make certain that the lessee is complying with the terms of such agreement. As set forth in our statement submitted to the committee, the agreement of lease will expire on February 28, 1950, but is subject to prior termination on 10 days' notice at any time when substantial use of the facilities by Grain Processing Corp. is no longer required to enable such company to furnish the Government with products required by it or to furnish suppliers of the Government with products in order to

enable such suppliers to perform contracts with the Government. It is our belief that certain specific obligations would be assumed by the Department of Agriculture, as follows:

(1) Under paragraph 13 (amendatory No. 8), the Department would have to determine whether or not it would be advisable to request the lessee to negotiate and execute a written agreement further amending the agreement of lease, as amended, so as to provide for a rental based upon production, respectively, of commercial alcohol, distilled spirits, corn oil, distillers dried grain, and other byproducts incidental to the production of commercial alcohol or distilled spirits or other products, respectively, produced through the use of the facilities in lieu of the rental now required to be paid. As mentioned above, it will be the obligation of the Department of Agriculture to collect the rental due as provided in paragraph 13;

(2) In the event of termination of the agreement of lease prior to February 28, 1950, under the provisions of paragraph 12 or upon expiration of the agreement, it will be the obligation of the Department, in the event the lessee exercises the option to purchase the facilities in accordance with the provisions of paragraph 15 (unless the agreement shall have been canceled as a result of the lessee's violation of its contracts with the Government or suppliers of the Government), to compute the option price in accordance with the provisions of paragraph 15 and to transfer title to all of the facilities to the lessee upon receiving payment of such option price. In the event the lessee does not exercise such option, it has a right to negotiate for the purchase or further lease of all but not part of the facilities during the 90-day option period. It is assumed that in view of the provisions of paragraph 3 of the proposed legislation in connection with the declaration of the facilities as surplus to War Assets Administration for disposal, the Department would follow the procedure heretofore followed by this Corporation and take such action as would be required to enable War Assets Administration to conduct any negotiations relative to the purchase or further lease of the facilities upon their declaration as surplus. In this connection, it should be pointed out that paragraph 15 also provides that after the expiration of the 90-day option period the lessee is granted, to the extent that it is lawful to grant a 90-day right of first refusal in connection with purchase of the facilities.

(3) Under the provisions of paragraph 16 of the lease, it will become the obligation of the Department to make available to the lessee any insurance proceeds received as a result of loss under any of the insurance policies carried by the lessee under the terms of the lease in order that lessee may use such proceeds for the repair, restoration, or replacement of any property damaged or destroyed. In view of the provisions of paragraphs 16 and 17 of the lease providing that insurance policies shall be payable to Defense Plant Corporation, it is assumed the Department will wish to appropriately amend the payee under the policies in the event the facilities are transferred to it;

(4) In view of the provisions of paragraph 18 of the lease concerning redelivery of the facilities by the lessee upon expiration, termination, or cancellation of the lease, it will become the obligation of the Department of Agriculture, upon written request of the lessee, to remove at its own expense any machinery or equipment not located in the plant or on the plant site, and if the Department does not remove such machinery and equipment within 60 days after such request, it will also be the obligation of the Department to pay removal and storage expenses if the lessee removes the machinery and equipment and places it in storage for the account and at the expense of the Department as permitted by such paragraph 18;

(5) Your attention is specifically called to paragraph 19 of the lease which imposes certain obligations on the lessee to pay taxes, assessments, and similar charges and also claims or charges on account of services such as water, light, heat, and power furnished to the facilities. Although it has heretofore been the obligation of this Corporation under the provisions of its Act to pay local ad valorem taxes on its real property, and this obligation has been transmitted to the lessee under the provisions of paragraph 19, it would be our opinion that if title to the plant were transferred to the Department of Agriculture it would not be required to pay such taxes thereafter except to the extent that taxes had become a lien on the real property prior to the effective date of the transfer;

(6) In view of the provisions of paragraph 15-A of the lease (amendatory No. 9), it will become the obligation of the Department upon expiration, termination, or cancellation of the lease and upon expiration of the option period to make a written request to the lessee to execute all documents necessary to effectuate the granting to the Government and/or to any purchaser, transferee, lessee, or operator

of the plant or the machines and apparatus the rights and licenses described in such paragraph 15-A.

We assume that the transfer of the plant to the Department of Agriculture would carry with it sidetrack agreements with railroads and other agreements to which this Corporation is now a party relating to the plant. It is our opinion the Department would assume this Corporation's obligations under such agreements in view of section 5 of the proposed legislation.

For your information, we are transmitting herewith a copy of the Agreement of Lease and amendments thereto. If we can be of any further assistance, please advise us.

Yours very truly,

J. L. KELEHAN,
*Associate Director,
Office of Defense Plants.*

[The agreement of lease and amendments thereto referred to in the last paragraph of the letter from the Associate Director of the Office of Defense Plants are on file with the Committee on Agriculture.]

Mr. PARKER. The rental of the Muscatine plant, as I understand it, at all times has been on an alcohol gallonage basis.

Mr. KELEHAN. No; that is not correct. When they went into this potato production we had to switch to some figure of so many pounds of flour and so on. But generally the easiest way to measure rent there was on an alcohol gallonage basis.

Mr. PARKER. Then if they produced both alcohol and flour, you have modified the lease to permit rentals to be based on the various things produced?

Mr. KELEHAN. That is right. We would leave the alcohol rent the same and we provided for a rent on the flour produced from the potatoes.

Mr. PARKER. Under the terms of the lease, is their production limited to the products specified therein?

Mr. KELEHAN. That is right. That is why they have to come and get our consent whenever they want to engage in some other production.

Mr. PARKER. How do you differentiate between the primary product and the byproduct in that connection?

Mr. KELEHAN. I am not sure I understand your question.

Mr. PARKER. Let me put it this way. Has the Muscatine plant produced anything which they call by products for which there was no rental?

Mr. KELEHAN. They produced these dried feeds from the feed recovery facilities, but we felt that the rental on the alcohol production would necessarily catch any of that sort of production and would be reflected in the alcohol production. So accordingly we did not put a separate rental on the feed recovery.

Mr. PARKER. Were there any other byproducts other than feed?

Mr. KELEHAN. I believe there was one facility we put in there to produce carbon dioxide in connection with the rubber program.

Mr. PARKER. Was there any rental received from the production of carbon dioxide?

Mr. KELEHAN. No, I think it was a byproduct of the alcohol production and we did not feel it was necessary. There was only \$40,000 involved in putting in the carbon dioxide facilities.

Mr. PARKER. You do not know how much income they derived from that?

Mr. KELEHAN. No.

Mr. PARKER. How about fusel oil?

Mr. KELEHAN. I do not know, Mr. Parker.

Mr. PARKER. Do you know whether or not the return from by-products is sufficient to return to the producer the cost of producing alcohol?

Mr. KELEHAN. No. We are not concerned when we fix these rentals as to how much profit they are going to make. The other Government agencies that negotiate the supply contracts are the ones that negotiate the profits they are going to make from operations. We are operating as a landlord. We try to charge what we consider a proper commercial rent, or during the war it was not even quite a commercial rent, for the use of those facilities. Twenty-two percent rental on these facilities is a very high rental, as you will appreciate.

Mr. PARKER. During the war the Government was the sole purchaser of the primary product?

Mr. KELEHAN. It is my understanding that is true. Defense Supplies Corporation bought it.

Mr. JOHNSON. Have you anything further to add, Mr. Kelehan?

Mr. KELEHAN. No, I have not.

Mr. JOHNSON. On behalf of the committee we want to thank you for the fine cooperation you have shown. Your information has been very interesting.

Mr. KELEHAN. If there is any additional information we can supply, we will be glad to do so.

Mr. JOHNSON. Thank you, Mr. Kelehan.

I want to thank all the rest of you who have participated.

The committee will stand adjourned.

(Whereupon, at 11:50 a. m., the committee was adjourned.)

×

IN THE SENATE OF THE UNITED STATES

FEBRUARY 9 (legislative day, FEBRUARY 2), 1948

Mr. CAPPER introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

A BILL

To make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That for the purpose of assuring the operation of the plant
4 hereinafter described for processing agricultural commodities
5 on an experimental basis and otherwise, and thereby assisting
6 the Department of Agriculture to discharge its responsibili-
7 ties in connection with surplus agricultural commodities,
8 research, and other authorized activities, and assisting in

1 providing an adequate supply of alcohol and other products
2 produced from agricultural commodities necessary for the
3 national defense, the Reconstruction Finance Corporation,
4 as successor to Defense Plants Corporation, shall transfer,
5 without regard to the provisions of the Surplus Property Act
6 of 1944 and without reimbursement or transfer of funds, to
7 the Secretary of Agriculture all of its right, title, and interest
8 in and to the alcohol plant established and constructed by
9 Defense Plants Corporation at Muscatine, Iowa, together with
10 the equipment, records, facilities, and other property
11 appurtenant thereto.

12 SEC. 2. The Secretary is authorized, upon such terms
13 and conditions as he deems reasonable, and notwithstanding
14 the provisions of any other law—

15 (a) to provide by lease or other arrangement for
16 the operation of such plant in such manner as will accom-
17 plish the purposes of this Act; and

18 (b) to operate such plant, if operation by others
19 will not, in the judgment of the Secretary, accomplish
20 the purposes of this Act.

21 SEC. 3. Whenever the Secretary finds that the operation
22 of the plant as provided in this Act is no longer necessary
23 or desirable, he may declare the whole or any part of the
24 plant and property appurtenant thereto surplus, and there-
25 after the War Assets Administrator shall dispose of such

1 plant and property, or part thereof, subject to such conditions
2 as the Secretary may determine to be necessary to effectuate
3 the purposes of this Act.

4 SEC. 4. For the purposes of this Act, the Secretary of
5 Agriculture is authorized (a) to construct and provide addi-
6 tional facilities and equipment necessary to the operation of
7 such plant, and to maintain, repair, and alter such plant;
8 (b) to acquire property or rights or interest therein necessary
9 or desirable for the operation of such plant by purchase, lease,
10 gift, transfer, condemnation, or otherwise; (c) to incur
11 necessary administrative expenses, including the cost of
12 personal services; and (d) to make such rules and regula-
13 tions as may be necessary to carry out the purposes of this
14 Act.

15 SEC. 5. The Department of Agriculture shall assume
16 all obligations of the Reconstruction Finance Corporation
17 covering operations of the said plant, equipment, facilities,
18 and appurtenant property outstanding at the date of transfer.

19 SEC. 6. There are hereby authorized to be appropriated
20 for the purposes of this Act such sums as the Congress may
21 from time to time determine to be necessary.

A BILL

To make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

By Mr. CAPPER

FEBRUARY 9 (legislative day, FEBRUARY 2), 1948
Read twice and referred to the Committee on
Agriculture and Forestry

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued February 17, 1948
For actions of February 16, 1948
80th-2nd, No. 28

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HIGHLIGHTS: Rep. Murray (Wis.) opposed shipment of tobacco under ERP. Rep. Johnson (Ill.) introduced and discussed bill to transfer Muscatine alcohol plant to USDA. House received President's report on Greece-Turkey aid.

HOUSE

1. FOREIGN AID. Rep. Murray, Wis., spoke against shipment of tobacco under ERP (pp. 1370-1).
Received the President's report on aid to Greece and Turkey (H. Doc. 534); to Foreign Affairs Committee (pp. 1374-5).
2. FARM LOANS. H. J. Res. 275, to authorize RACC loans to fur farmers, was stricken from the consent calendar on objections of Reps. Ploeser, Kean, and Scott (p. 1380). However, the Rules Committee has cleared this bill for separate consideration.
H. R. 4309, to authorize FCA to make GI loans of \$300,000,000 for purchase and equipment of farms, was stricken from the consent calendar on objections of Reps. Deane, Pace, and Kean (p. 1379).
3. CIVIL-SERVICE RETIREMENT. See attachment to this Digest for summary of H. R. 4127, the retirement bill, as reported by conferees (see Digest 26).
4. WATER COMPACT. Passed as reported H. R. 3603, granting consent to Idaho and Wyo. to enter a compact for division of Snake River waters (p. 1381).
5. OLEO TAXES. Rep. Poage, Tex., inserted a St. Louis Post-Dispatch editorial suggesting oleo-tax repeal as a solution to the milk shortage (p. 1373).
6. RUBBER. Concurred in Senate amendment to H. R. 2029, providing for free importation of synthetic rubber scrap (p. 1374). This bill will now be sent to the President.
7. LANDS. Passed with amendment H. R. 4461, providing legislative authority for decentralization of certain functions of the Bureau of Land Management (pp. 1382-3).

Passed without amendment H.R. 4513, to eliminate the requirement of oaths in certain lands matters within the Interior Department (p. 1384).

8. ELECTRIFICATION. Passed without amendment S. 1591, transferring certain transmission lines, substations, etc. at the Fort Peck project, Mont. (p. 1382).
9. FLOOD CONTROL. Rep. Welch, Calif., urged the construction of flood control projects in Calif. and inserted an Army Engineers letter on the subject (pp. 1369-70).
10. SOCIAL SECURITY. Received the report of the Social Security Administration for 1947 (p. 1402).
11. STRATEGIC MATERIALS. The "Daily Digest" states that the Banking and Currency Committee "voted to extend title 3, of the Second War Powers Act, pertaining to export of certain strategic materials, until March 31, 1948, pending hearings and further consideration" (p. D123).

BILLS INTRODUCED

12. MUSCATINE ALCOHOL PLANT. H.R. 5398, by Rep. Johnson, Ill., to provide for making available the Government-owned alcohol plant at Muscatine, Iowa, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture. To Agriculture Committee. (p. 1402.) Remarks of author (p. 1370).
13. OLEOMARGARINE TAXES. H.R. 5419, by Rep. Youngblood, Mich., to repeal the tax on oleomargarine. To Agriculture Committee. (p. 1403.)
14. SOCIAL SECURITY. H.R. 5399, by Rep. Kean, N.J., to increase the benefits payable under the Federal old-age and survivors insurance system, to liberalize the eligibility provisions of such system, to extend the coverage provisions of such system to self-employed, employees of nonprofit institutions, agricultural labor, and under voluntary compacts, to employees of State and local governments. To Ways and Means and Committee. (p. 1402.)
15. PLANT INDUSTRY; FRUIT AND VEGETABLES. H.R. 5405, by Rep. Macy, N.Y., to provide for the protection of potato and tomato production from the golden nematode. To Agriculture Committee. (p. 1403.)
16. EMERGENCY POWERS. H.R. 5391, by Rep. Wolcott, Mich., to continue for a temporary period certain powers, authority, and discretion conferred on the President by the Second Decontrol Act of 1947. To Banking and Currency Committee. (p. 1402.)
17. FOREIGN RELIEF; POSTAGE RATES. H.R. 5404, by Rep. McMahon, N.Y., and H.R. 5410, by Rep. Nodar, N.Y., to reduce postage rates on parcels containing food, clothing, or medicines mailed to certain foreign countries. To Post Office and Civil Service Committee. (p. 1403.)
18. VETERANS' PREFERENCE. H.R. 5415, by Rep. Stevenson, Wis., to amend Public Law 396, 80th Cong., which extends veterans' preference benefits to widowed mothers of certain ex-servicemen and ex-servicewomen. To Post Office and Civil Service Committee. (p. 1403.)
19. RECLAMATION. H.R. 5418, by Rep. Worley, Tex., to provide for the reconstruction of the dam on Wolf Creek, Perryton, Tex., and for the repair of the Rita Blanca Dam, Dalhart, Tex. To Agriculture Committee. (p. 1403.)
H.R. 5416, by Rep. Welch, Calif., to promote the interests of the Fort Hall Indian Irrigation project. To Public Lands Committee. (p. 1403.)

80TH CONGRESS
2D SESSION

H. R. 5398

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 16, 1948

Mr. JOHNSON of Illinois introduced the following bill; which was referred to
the Committee on Agriculture

A BILL

To provide for making available the Government-owned alcohol plant at Muscatine, Iowa, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That for the purpose of assuring its operation for the pro-
4 duction of products from agricultural commodities in order
5 to provide a means of discharging the responsibility of the
6 Department of Agriculture in connection with surplus agri-
7 cultural commodities, research, and other authorized activi-
8 ties, and to assist in providing an adequate supply of alcohol

- 1 SEC. 6. There are hereby authorized to be appropriated
2 for the purposes of this Act such sums as the Congress may
3 from time to time determine to be necessary.

80TH CONGRESS
2D SESSION

H. R. 5398

A BILL

To provide for making available the Government-owned alcohol plant at Muscatine, Iowa, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

By Mr. JOHNSON of Illinois

FEBRUARY 16, 1948

Referred to the Committee on Agriculture



United States
of America

Congressional Record

PROCEEDINGS AND DEBATES OF THE 80th CONGRESS, SECOND SESSION

Vol. 94

WASHINGTON, MONDAY, FEBRUARY 16, 1948

No. 28

Senate

The Senate was not in session today. Its next meeting will be held on Tuesday, February 17, 1948, at 12 o'clock meridian.

House of Representatives

MONDAY, FEBRUARY 16, 1948

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Most merciful and compassionate Father, Thou who dost graciously harken to Thy children, again we come into Thy presence and invoke Thy blessing. We ask not an escape from work and even worry, which at times takes a heavy toll, but for the spirit of resolution that we may carry forward those measures that make for a strong and contented country. From all problems do Thou dispel the shadows of uncertainty, that we may convince our people of devotion that makes men and women true patriots. May the will for peace prevail and once more lead the heart of our Nation beside still waters and in pastures green and lasting. Nourish us with all goodness and make us to love that which Thou dost commend. In the name of our glorified Saviour. Amen.

THE JOURNAL

The Journal of the proceedings of Thursday, February 12, 1948, was read and approved.

MESSAGES FROM THE PRESIDENT

Sundry messages in writing from the President of the United States were communicated to the House by Mr. Miller, one of his secretaries, who also informed the House that on February 10, 1948, the President approved and signed a bill of the House of the following title:

H. R. 1826. An act making it a petty offense to enter any national-forest land while it is closed to the public.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Frazier, its legislative clerk, announced that the Senate had passed without amendment a concurrent resolution of the House of the following title:

H. Con. Res. 148. Concurrent resolution authorizing the Clerk of the House, in the en-

rollment of the bill H. R. 3778, to make certain corrections.

The message also announced that the Senate had passed a bill of the following title, in which the concurrence of the House is requested:

S. 1583. An act to provide for the conveyance to the State of Maryland, for the use of the University of Maryland, of the northern portion of a parcel of land previously constituting a part of the campus of the university and previously conveyed by the State of Maryland to the United States for the use of the Bureau of Mines.

CALENDAR WEDNESDAY

Mr. ARENDS. Mr. Speaker, I ask unanimous consent that the business in order on Calendar Wednesday of this week be dispensed with.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. WELCH. Mr. Speaker, I ask unanimous consent to address the House for 1 minute, revise and extend my remarks, and include therein a letter addressed to me by Maj. Gen. R. C. Crawford, Acting Chief of the United States Army Engineers.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

FLOOD CONTROL IN CALIFORNIA

Mr. WELCH. Mr. Speaker, there is a critical shortage of both water and power in California. After one of the longest droughts in the history of the State, rain has begun to fall. The normal rainy season in California is from October until April. Turbulent floods often follow this limited period of rainfall. Flood control is our only salvation.

This letter refers to the Cherry Valley Reservoir in the Tuolumne River Basin.

The area directly benefited by this project has a population of several thousand, while that indirectly affected has in excess of 100,000. This project will meet with the approval of the great international seaport city of San Francisco and the Modesto and Turlock irrigation district.

WAR DEPARTMENT,
OFFICE OF THE CHIEF OF ENGINEERS,
Washington, D. C., February 11, 1948.
HON. RICHARD J. WELCH,
House of Representatives,
Washington, D. C.

DEAR MR. WELCH: Reference is made to your recent telephone conversation with General Wheeler concerning plans for the construction of the Cherry Valley Reservoir in the Tuolumne River Basin, Calif.

Pursuant to specific authorization from Congress, the district engineer at Sacramento made an investigation of the San Joaquin River and tributaries, California, in the interest of flood control and allied water uses. In that report he recommended construction of the Jacksonville Reservoir on Tuolumne River in the interest of flood control. In connection with the review of that report by the Board of Engineers for Rivers and Harbors, representatives of the city and county of San Francisco and the Modesto and Turlock irrigation districts appeared before the Board and discussed their plans for further development of the Tuolumne River as a source of water supply for the city and county of San Francisco and the Modesto and Turlock irrigation districts. At that time it was brought out that ultimately the city and county of San Francisco and the Modesto and Turlock irrigation districts plan to enlarge the existing Don Pedro Reservoir and that the proposed Jacksonville Reservoir would lie within the reservoir area of the new Don Pedro Reservoir. Accordingly, the Board of Engineers for Rivers and Harbors modified the plan proposed by the district engineer. The Chief of Engineers, in his report printed as Flood Control Committee Document No. 2, Seventy-eighth Congress, second session, recommended "that in lieu of the construction of the proposed Jacksonville Reservoir, an expenditure to the extent justified by proportionate benefits for flood control estimated at \$5,800,000 for the equivalent of 320,000

acre-feet in Jacksonville Reservoir be authorized toward the first cost of the proposed new Don Pedro Reservoir or other suitable reservoir in the Tuolumne River Basin, provided that local interests construct, maintain, and operate the dams and reservoirs, allocate storage for flood control, and agree to operate such storage in accordance with the rules and regulations prescribed by the Secretary of War."

The plan of improvement for flood control and other purposes on the lower San Joaquin River and tributaries, including Tuolumne and Stanislaus Rivers, in accordance with the recommendation of the Chief of Engineers in Flood Control Committee Document No. 2, Seventy-eighth Congress, second session, was approved in the 1944 Flood Control Act and there was authorized for appropriation \$8,000,000 for the initiation and partial accomplishment of that plan.

Local interests comprising the city and County of San Francisco and the Modesto and Turlock irrigation districts plan to provide flood control initially by constructing the Cherry Valley Reservoir on Cherry River, a tributary of the Tuolumne River, and by coordinating the operation of this reservoir with the operation of the city's existing Eleanor Lake and Hetch Hetchy Reservoirs on Eleanor Creek and Tuolumne River, respectively, with the irrigation district's existing Don Pedro Reservoir on Tuolumne River. Since the Cherry Creek Reservoir is in the Tuolumne River Basin, Federal participation in the interest of flood control in that reservoir is authorized pursuant to the 1944 Flood Control Act, as it constitutes a suitable reservoir for flood-control purposes in the Tuolumne River Basin and will materially advance the date upon which effective flood-control storage can be provided in this basin.

Among the areas which will be given protection by the Cherry Valley Reservoir will be the military installations in the Stockton area, particularly the naval depot on Rough and Ready Island and some of the suburban developments adjacent to Stockton. The area directly benefited has a population of several thousand while that indirectly affected is around 100,000. In addition to the flood-control benefits from the project which will greatly exceed their cost, for which Federal participation is authorized, the Cherry Valley Reservoir will also provide local interests with urgently needed irrigation and domestic water supply, the cost of which will be borne by local interests.

I trust that the information contained in the paragraphs above is sufficient for your present purposes. If additional data are required, I will be pleased to furnish all that is available upon receipt of your further request.

Sincerely yours,

R. C. CRAWFORD
Major General, Acting Chief of Engineers.

EXTENSION OF REMARKS

Mr. HESELTON asked and was granted permission to extend his remarks in the RECORD in three instances.

SPECIAL ORDERS GRANTED

Mr. HESELTON. Mr. Speaker, I ask unanimous consent to address the House for 20 minutes on all days in which there are sessions of the House this week, after the expiration of the legislative business and any other special orders.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. HESELTON. Mr. Speaker, I ask unanimous consent to address the House

for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

THE FUEL-OIL SITUATION

Mr. HESELTON. Mr. Speaker, on Saturday afternoon I received a telegram signed by David Bruce, Assistant Secretary of Commerce. It contained 501 words, but boiled down, it said, "No; we won't do anything about the export program."

This morning I received a wire from a supplier in Pittsfield, Mass., saying that he will get no more oil for the remainder of the month after February 18. He said the conditions after February 18 will be serious and he must make plans to meet the situation now.

He then asks, "Advise us what you can do to divert fuel oil to us."

This morning Secretary Krug was before the House Committee on Interstate and Foreign Commerce and discussed this inability to cut these exports further. I do not know whether they need kerosene or residual oil in Pittsfield. At any rate, it adds up to 107½ barrels of some type of fuel oil to take them through this month. It appears that our Government has licensed and probably the exporters have sent 1,262 barrels of kerosene to Tahiti; that our Government has licensed the export of 7,500 barrels of gas, oil, and distillate fuel to the Fiji Islands. Mr. Krug intimated that this was because they made copra, and copra helps to make oleomargarine, which will probably be of some interest to my friends from the Midwest.

I suggest there is altogether too much confusion. Perhaps some of us could enlist the sympathy of the governments of the Fiji Islands and Tahiti so that they will make no further requests until spring. In any event, we would receive no colder a reception than the one given to us by our own Government.

EXTENSION OF REMARKS

Mr. ARNOLD asked and was given permission to extend his remarks in the RECORD and include a magazine article.

Mr. MACY asked and was granted permission to extend his remarks in the RECORD and insert the excellent remarks of Hon. JOSEPH W. MARTIN, JR., at the National Republican Club last Thursday evening.

Mr. ANDERSON of California asked and was granted permission to extend his remarks in two instances and in each to include a newspaper article.

Mr. BRAMBLETT asked and was granted permission to extend his remarks in the RECORD and include an editorial by Mr. Allen Griffin, owner and publisher of the Monterey Herald on universal military training.

PERMISSION TO ADDRESS THE HOUSE

Mr. JOHNSON of Illinois. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

SYNTHETIC MOTOR FUEL

Mr. JOHNSON of Illinois. Mr. Speaker, today I am introducing a bill to transfer the alcohol plant at Muscatine, Iowa, from the Surplus Property Board to the Department of Agriculture. We are becoming desperately short of liquid motor fuels, as well as very short of petroleum fuel, both for heating purposes and for power of all kinds.

Our regional laboratory at Peoria, Ill., has done some fine research in developing liquid motor fuel from waste farm products. The laboratory at Peoria has demonstrated with a small pilot plant that there can be derived 90 gallons of high-grade liquid motor fuel from a ton of corn cobs. Among the uses desired for the Muscatine plant is to demonstrate practical operation on a commercial scale, the findings in research at the Peoria laboratory, and from other research sources, of the use of waste and surplus farm products in synthetic liquid motor fuels.

The northern regional agricultural laboratory at Peoria has been collaborating and assisting others in the research processing of coal into liquid motor fuel.

This bill, if enacted into law, insures immediate sources of supply of industrial alcohol for synthetic rubber, if needed in any emergency.

Test-tube research results are usually proven in a small pilot plant. It then becomes necessary to prove practical economic results in a commercial size plant.

The Muscatine plant is ideal for that.

EXTENSION OF REMARKS

Mr. DAVIS of Wisconsin asked and was given permission to extend his remarks in the RECORD and include an editorial.

Mr. WOODRUFF asked and was given permission to extend his remarks in the RECORD and include a newspaper article from this morning's Post.

Mr. KEATING asked and was given permission to extend his remarks in the RECORD and include an editorial by Mark Sullivan.

Mr. MCGREGOR asked and was given permission to extend his remarks in the Appendix of the RECORD.

Mr. BENNETT of Missouri asked and was given permission to extend his remarks in the RECORD and include a speech he made last week in Bangor, Maine.

PERMISSION TO ADDRESS THE HOUSE

Mr. MURRAY of Wisconsin. Mr. Speaker, I ask unanimous consent to address the House for 1 minute.

The SPEAKER. Is there objection to the request of the gentleman from Wisconsin?

There was no objection.

LET US SAVE NEARLY A BILLION DOLLARS FOR THE TAXPAYERS OF THE UNITED STATES

Mr. MURRAY of Wisconsin. Mr. Speaker, according to the information obtained from the Department of State, it is proposed under the Marshall plan to export nearly 2,000,000,000 pounds of tobacco at a cost of \$911,100,000. The total value of tobacco exports under the

Calendar No. 944

Calendar No. 944

80TH CONGRESS }
2d Session }

SENATE

{ REPORT
No. 898

MAKING THE GOVERNMENT-OWNED ALCOHOL PLANT AT MUSCATINE, IOWA, AVAILABLE FOR PROCESSING AGRICULTURAL COMMODITIES IN THE FURTHERANCE OF AUTHORIZED PROGRAMS OF THE DEPARTMENT OF AGRICULTURE

FEBRUARY 20 (legislative day, FEBRUARY 2), 1948.—Ordered to be printed

Mr. CAPPER, from the Committee on Agriculture and Forestry,
submitted the following

REPORT

[To accompany S. 2142]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 2142) to make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with amendments.

The bill is amended as follows:

Wherever the words "Defense Plants Corporation" appear, insert in lieu thereof the words "Defense Plant Corporation".

Beginning on page 2, line 21, strike out all of Section 3 and insert in lieu thereof the following:

SEC. 3. Whenever the Secretary finds that the operation of the plant as provided in this Act is no longer necessary or desirable, he shall report such fact to Congress with his recommendations for the disposition of the plant.

The second amendment would require the Secretary of Agriculture to report to the Congress instead of the War Assets Administrator when he believes the plant is surplus to the needs of the Department. The committee believes this amendment is necessary in order to remove any implication that the War Assets Administration, a temporary governmental agency, should be continued for this purpose.

A letter from the Secretary of Agriculture, Hon. Clinton P. Anderson, concerning this legislation is attached hereto and made a part of said report.

DEPARTMENT OF AGRICULTURE,
Washington, January 20, 1948.

PRESIDENT PRO TEMPORE, UNITED STATES SENATE.

DEAR MR. PRESIDENT: Enclosed for the consideration of the Congress is a proposed bill relating to the utilization of plantor 1684, located at Muscatine,

Iowa, one of the three plants built by the Government during the war to produce industrial alcohol from grain.

The bill, if enacted, would retain ownership of this plant by the Government and would authorize the Department of Agriculture to use it in the conduct of research aimed at widening market outlets for farm products.

Industrial alcohol is a chemical which has many well-established uses throughout the United States. Prior to World War II the production of industrial alcohol in this country averaged annually around 100,000,000 gallons (190 proof). This was derived principally from black strap molasses, a byproduct of sugar processing. Grains represented the raw material for less than 10 percent of the production in most years.

Toward the end of 1942 decision was reached to use grain as a base for major alcohol production for war purposes. In October of that year the entire distilled spirits industry was taken off beverage production and set to making industrial alcohol insofar as equipment and facilities would permit. Some 59 plants were expanded or modified for this purpose, largely financed by the Government. Three new plants were constructed by the Government with funds made available through the Reconstruction Finance Corporation. One of these plants, plancon 1684, is dealt with in the proposed legislation.

As a result of the various constructions and conversions, wartime production of industrial alcohol was increased to more than five times the level which had prevailed prior to 1939. Most of this increase came from the utilization of grain as a base for the manufacture. Output from this source was increased more than 50 times over what it had been. The three Government-built grain plants alone had capacity to produce the equivalent of one-half the former peacetime use of industrial alcohol. Cost-plus contracts, grain allocations, and numerous other measures were used to assure maximum operations. Production of synthetic industrial alcohol, made principally from petroleum refinery waste gas, also was increased.

In the utilization of industrial alcohol the major wartime development was the tremendous expansion in the field of synthetic rubber. At the end of the war more than half of the total supply of industrial alcohol was being used for that purpose. So great was the demand for material in that field and so high was its priority that there was little opportunity to consider peacetime problems relating to alcohol.

With the object of increasing industrial use of farm materials the Department of Agriculture has for years been endeavoring to find the best methods of producing alcohol and related products, including byproduct feeds, and to determine accurately the costs. While pertinent data in the files of RFC and the former OPA are mostly available to us they are based upon war conditions and cost-plus contracts, and probably do not represent peacetime possibilities. The figures derived from pilot-plant operations at the Northern Research Laboratory, Peoria, Ill., although highly valuable, often are not translatable to commercial operation without large-scale trial and demonstration. To develop new means of utilizing substantial quantities of farm commodities as for example in alcohol motor fuel, it is considered essential to have use of a controlled plant operating on a large and strictly commercial scale such as would be afforded by plancon 1684.

Today, much proper concern is being expressed over our rapidly diminishing reserves of petroleum. Active search is being made for synthetic liquid fuels to supplement these diminishing reserves, and large sums have been appropriated by the Congress in furtherance of this work. Yet, in farm-produced carbon-hydrates there already exists a vast source of liquid fuel which only lacks development. Such a development could be strongly implemented by the close integration and correlation of the research testing laboratories, alcohol pilot plant, and large-scale production unit within the United States Department of Agriculture, where the required technical and legal personnel would be available. The advantages of having such an undertaking centered in a single organization will be at once apparent. A liaison already exists with the petroleum industry which might be extended to embrace such a development.

Should the Muscatine plant be made available to the Department its use would not be confined to work upon alcohol. The plant has excellent possibilities in many fields of agricultural chemical technology, and we would expect to explore all of them. I need only mention the problem of agricultural surpluses to emphasize the significance which favorable developments along these lines could have to the entire Nation. They might also be of great importance in relation to the national defense.

Attached to the proposed bill is a statement explaining in some detail how plancon 1684 would be used in relation to existing facilities of the Department.

We recommend that the proposed legislation be enacted.

The Bureau of the Budget advises that it has no objection to the submission of this proposed legislation.

Sincerely yours,

CLINTON P. ANDERSON, *Secretary*.

PROPOSED UTILIZATION OF ALCOHOL PLANT AT MUSCATINE, IOWA, PLANCOR 1684, IN THE EVENT OF TRANSFER TO THE UNITED STATES DEPARTMENT OF AGRICULTURE

The Bureau of Agricultural and Industrial Chemistry has been endeavoring for years to find the best methods of producing alcohol and to determine accurately the cost of producing industrial alcohol and other products from farm commodities as a first essential to their increased use by industry. Pertinent data now in the files of OPA, while available to us, are based on war conditions and cost-plus contracts and are not representative of peacetime possibilities. Control by the Department of Agriculture of at least one of the Government-owned grain-processing plants located in the Middle West would afford a means of ascertaining the costs and technical data under control conditions. While production costs in the alcohol industry vary from plant to plant because of location, diverse labor conditions, size, operation methods, etc., the cost data established at the Government plants will serve as an economic base or yardstick because the size, design, effectiveness of operation, labor situation, etc., are considered representative of the industry.

The Northern Regional Research Laboratory at Peoria, Ill., already has a small alcohol pilot plant, equipped for technological research on industrial processing problems relating to fermentation procedures. Certain of the required detailed information on processing costs and new operation methods may be established in this pilot plant. If sufficient operating funds were available, complete over-all operation studies might also be made in the pilot plant up to a production scale of 500 gallons per day. However, pilot plant operations of this volume are usually not adaptable to commercial operation without adequate trial. Furthermore, the total possible production from this pilot plant is relatively small. The Muscatine plant, for instance, if operated by a cooperative lessee, would not need to be bound by certain restrictions affecting the Northern Regional Laboratory plant, and could serve as an actual full-scale trial ground on commercial basis, utilizing technological research developments from the present small plant.

Use of a controlled plant operating on a full-size commercial scale is essential for establishing accurate basic production costs and technical information for the development of new means of utilization of farm commodities, such as for motor fuel, for example. Congress has provided \$30,000,000 for research to develop synthetic liquid fuels to supplement our diminishing petroleum reserves. A liquid fuel source—alcohol, derived from agricultural raw materials—already exists and only lacks commercial development.

The subject of alcohol motor fuel is now being actively investigated at the Northern Regional Research Laboratory, where fuel and engine testing laboratories are installed. An arrangement whereby a close coordination and correlation of research testing laboratories, alcohol pilot plant, and large-scale production unit directed by a single organization, such as the United States Department of Agriculture, with concomitant personnel, would provide an effective basis for commercial implementation of progress made in technical research. A liaison already exists with the petroleum industry covering the development and use of synthetic liquid fuels derived from coal which should be extended to embrace the development of liquid fuels from agricultural raw materials.

The developing of new methods for the use of farm raw materials for the production of such industrial commodities as alcohol entails consideration of a combination of economic and technical factors, and also frequently requires entry into presently uneconomical fields. For these reasons, it cannot be expected that private industry will have the organization or the desire to undertake full-scale development of such uses from agricultural products.

The industrial utilization of farm surpluses is limited on one hand by the relatively high cost of the raw material, and on the other hand by the necessity of selling the manufactured products in competition with those produced from cheaper or often better raw materials. Finally, increased attention must be given to balancing agricultural production and consumption through programs of surplus diversion into uses other than food and feed. Government control of the Muscatine plant would permit its use for developing outlets for crop surpluses. It would also make possible the demonstration of methods for utilization of soft

corn and other off-grade grains which cannot be used efficiently in normal channels and which tend to depress market prices.

The nature and scope of the problems involved demand coordinated action for which the proper incentives and adequate facilities can be expected only from the Government. Therefore, this field of activity is preeminently one in which the Government should pioneer. Past attempts by the Department to solve such problems have been stymied because of lack of plant facilities to implement results of our research laboratories. The utilization of existing Government-owned commercial facilities to supplement the present laboratory and pilot-plant facilities will provide the needed means of attacking these problems on a scale sufficient to meet the requirements of industry.

The Muscatine plant has unusual possibilities for use in many fields of agricultural chemical technology, and is not limited to industrial alcohol production. If this plant were to be taken over by the Department, the Bureau of Agricultural and Industrial Chemistry, under proper authorization, would endeavor to use it through the lessee (a) to definitely establish the costs of producing alcohol for motor fuel or other use on a commercial scale, and the costs of recovering related byproducts, under wide variations in operational conditions and kinds and types of raw materials; and (b) as an industrial trial operation or demonstration plant to translate laboratory and pilot plant findings on new fermentation or correlated process developed through research to large-scale commercial utilization.

These facilities would not only be available for use by other agencies of the Department in connection with the disposal of surplus crops and inferior grades of grain, potatoes, and other farm commodities, but would also serve as a base unit in developing and promoting market research programs. Under Government ownership, accurate and complete records of production and distribution costs can be kept and made available to the entire industry. This should stimulate the fuller utilization of farm commodities for industrial purposes.



Calendar No. 944

80TH CONGRESS
2D SESSION

S. 2142

[Report No. 898]

IN THE SENATE OF THE UNITED STATES

FEBRUARY 9 (legislative day, FEBRUARY 2), 1948

Mr. CAPPER introduced the following bill; which was read twice and referred to the Committee on Agriculture and Forestry

FEBRUARY 20 (legislative day, FEBRUARY 2), 1948

Reported by Mr. CAPPER, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That for the purpose of assuring the operation of the plant
4 hereinafter described for processing agricultural commodities
5 on an experimental basis and otherwise, and thereby assisting
6 the Department of Agriculture to discharge its responsibili-
7 ties in connection with surplus agricultural commodities,
8 research, and other authorized activities, and assisting in
9 providing an adequate supply of alcohol and other products

1 produced from agricultural commodities necessary for the
2 national defense, the Reconstruction Finance Corporation,
3 as successor to ~~Defense Plants Corporation~~ *Defense Plant*
4 *Corporation*, shall transfer, without regard to the provisions
5 of the Surplus Property Act of 1944 and without reimburse-
6 ment or transfer of funds, to the Secretary of Agriculture all
7 of its right, title, and interest in and to the alcohol plant
8 established and constructed by ~~Defense Plants Corporation~~
9 *Defense Plant Corporation* at Muscatine, Iowa, together with
10 the equipment, records, facilities, and other property
11 appurtenant thereto.

12 SEC. 2. The Secretary is authorized, upon such terms
13 and conditions as he deems reasonable, and notwithstanding
14 the provisions of any other law—

15 (a) to provide by lease or other arrangement for
16 the operation of such plant in such manner as will
17 accomplish the purposes of this Act; and

18 (b) to operate such plant, if operation by others
19 will not, in the judgment of the Secretary, accomplish
20 the purposes of this Act.

21 SEC. 3. Whenever the Secretary finds that the operation
22 of the plant as provided in this Act is no longer necessary
23 or desirable, he may declare the whole or any part of the
24 plant and property appurtenant thereto surplus, and there-
25 after the War Assets Administrator shall dispose of such

1 plant and property, or part thereof, subject to such conditions
2 as the Secretary may determine to be necessary to effectuate
3 the purposes of this Act.

4 *SEC. 3. Whenever the Secretary finds that the opera-*
5 *tion of the plant as provided in this Act is no longer necessary*
6 *or desirable, he shall report such fact to Congress with his*
7 *recommendations for the disposition of the plant.*

8 SEC. 4. For the purposes of this Act, the Secretary of
9 Agriculture is authorized (a) to construct and provide addi-
10 tional facilities and equipment necessary to the operation of
11 such plant, and to maintain, repair, and alter such plant;
12 (b) to acquire property or rights or interest therein necessary
13 or desirable for the operation of such plant by purchase, lease,
14 gift, transfer, condemnation, or otherwise; (c) to incur
15 necessary administrative expenses, including the cost of
16 personal services; and (d) to make such rules and regula-
17 tions as may be necessary to carry out the purposes of this
18 Act.

19 SEC. 5. The Department of Agriculture shall assume
20 all obligations of the Reconstruction Finance Corporation
21 covering operations of the said plant, equipment, facilities,
22 and appurtenant property outstanding at the date of transfer.

23 SEC. 6. There are hereby authorized to be appropriated
24 for the purposes of this Act such sums as the Congress may
25 from time to time determine to be necessary.

80TH CONGRESS
2D SESSION

S. 2142

[Report No. 898]

A BILL

To make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

By Mr. CAPPER

FEBRUARY 9 (legislative day, FEBRUARY 2), 1948
Read twice and referred to the Committee on
Agriculture and Forestry
FEBRUARY 20 (legislative day, FEBRUARY 2), 1948
Reported with amendments

DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued February 26, 1948
For actions of February 25, 1948
80th-2nd, No. 35

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HIGHLIGHTS: Senate passed foot-and-mouth disease research bill. Senate debated bill to authorize grain allocation for alcohol production. Sen. Thomas (Okla.) spoke against Remount Service bill. Senate passed bill to continue export-control and allocation powers. Sen. Lucas criticized various Congressional investigations. Rep. Hone said reduced wheat prices are not reflected in reduced bread prices. Rep. Lenke urged cost-of-production floor for farm prices. Rep. Cooley introduced bill to amend Crop Insurance Act..

SENATE

1. FOOT-AND-MOUTH DISEASE. Passed with amendments S. 2038, to authorize this Department to conduct research on this disease. Agreed to the committee amendment regarding employment outside of the Classification Act. Agreed to an amendment by Sen. Knowland, Calif., to provide that the laboratory shall be located "on an island or other isolated area adequate to guard against the accidental spread of the virus." (pp. 1744, 1750-1.)
2. EXPORT CONTROLS; ALLOCATIONS. Passed with amendment H.R. 5391, to continue allocation powers over certain materials, including tin; import controls over fats and oils, rice, nitrogen fertilizers, etc.; and export controls over certain fibers, petroleum, etc. under the Second Decontrol Act of 1947. Agreed to an amendment by Sen. Taft, Ohio, to continue these powers until May 31, 1948, instead of Mar. 31, 1948, the House date. (p. 1745.)
3. LIBRARY DEMONSTRATION. Passed without amendment S. 48, to provide for demonstration of public library service in areas without such service or with inadequate library facilities (p. 1742).
4. ARCHIVES. Passed without amendment H.R. 1350, to facilitate transfer to the custody of the Archivist of records no longer needed in current business of the various agencies (p. 1743). This bill will now be sent to the President.
5. BUDGET. Sen. Aiken, Vt., explained the Expenditures in Executive Departments Committee condensation of the Federal budget and discussed various phases of

the report with Sen. Hayden, Ariz. (pp. 1721-2).

6. NATIONAL FORESTS. Reported without amendment H.R. 3175, to add certain public and other lands to the Shasta National Forest, Calif. (S.Rept. 928) (p. 1718).
7. TOBACCO. Received a Ky. Legislature resolution requesting USDA to rescind the order directing a 10-percent reduction in burley-tobacco acreage. To Agriculture and Forestry Committee. (p. 1717.)
8. REMOUNT SERVICE. Passed over on objection of Sen. Thomas, Okla., H.R. 3484, to transfer the Remount Service from the Army Department to USDA (pp. 1741, 1749-50). Sen. Thomas stated that he had no objection to the transfer of the stations in Virginia, Nebraska, and Calif., but thought the station in Okla. should be "made available for subdivision and use under the provisions of the Bankhead-Jones Farm Tenant Act." He further stated that he thought the bill should be referred to the Agriculture and Forestry Committee (pp. 1749-50).
9. GRAIN ALLOCATION. Began debate on S.J.Res. 186, to authorize allocation and inventory control of grain for the production of ethyl alcohol (pp. 1751-6). Earlier the resolution had been passed over on a call of the calendar at the request of Sen. Capchert, Ind. (pp. 1746-7).
10. INVESTIGATIONS. Rejected Sen. Lucas' motion to reconsider the vote by which the Senate agreed to S. Res. 189, which makes \$125,000 available to the Expenditure in the Executive Departments Committee for investigations, etc. Sen. Lucas criticized various Congressional investigations, claimed that the cost of Congress has gone up greatly under the Republicans, stated that "the President's 1948 budget will not have been cut by a single dollar", and said it would be possible under this resolution for the Expenditures Committee to "investigate the farm program if it wants to." Chairman Aiken of the Expenditures Committee debated several of these points with Sen. Lucas. Sen. Knowland charged that the Reclamation Bureau made false statements during appropriation hearings. Sen. Lucas presented and discussed S. Con. Res. 44, to provide various protections and rights for witnesses at hearings before investigating committees. (pp. 1727-40)
11. HOUSING. Sen. Johnston, S.C., urged legislation to authorize RFC to purchase home loans guaranteed or insured under the Servicemen's Readjustment Act of 1944 (pp. 1656-7).
12. BILLS PASSED OVER: The following were among the bills passed over:
 - S. 669, to provide for the payment of a bonus of 30¢ a bushel on wheat and corn produced and sold between Jan. 1, 1945 and April 18, 1946 (p. 1740).
 - S. 299, to extend the reclamation laws to Arkansas (p. 1741).
 - S. Con. Res. 6, to include all general appropriation bills in one consolidated appropriation bill (p. 1741).
 - S. 430, to cover national farm loan associations and production credit association employees under the Civil Service Retirement Act (p. 1743).
 - S.J.Res. 164, to authorize RACC to make loans to fur farmers (p. 1743).
 - At the request of Sen. Cordon, Ore., H.R. 1809, to facilitate the use and occupancy of national forest lands (p. 1747).
 - S. 2142, to transfer the Muscatine, Iowa, alcohol plant to USDA for processing agricultural commodities (p. 1748).

HOUSE

13. EXECUTIVE REORGANIZATION. Agreed to H. Con. Res. 131, which would disapprove the President's Reorganization Plan No. 1, 1948, to transfer the U.S. Employment

a statement with regard to the history of Publicker Industries Inc., a Pennsylvania industry; also a letter from the Department of Agriculture with regard to the grain quota of that company, in comparison with the industry as a whole; and also a letter from the Treasury Department which sets forth that no grain or grain products were used by that company for the period from October 26, 1947, to December 31, 1947.

There being no objection, the matters referred to were ordered to be printed in the RECORD, as follows:

ABOUT PUBLICKER INDUSTRIES, INC.

Publicker Industries, Inc., was founded in 1913 in Philadelphia as the Publicker Commercial Alcohol Co. for the purpose of producing ethyl alcohol by the fermentation of blackstrap molasses. Alcohol, in various forms for industrial and beverage purposes, was produced in these early days, and beverage spirits made from molasses were sold to rectifiers and other permittees as early as 1913. In the late 1920's the company began installing facilities for the production of alcohol from grain.

In 1924 the company greatly expanded its facilities through the erection of its Bigler Street plant, which is now the largest alcohol producer in the world. About 1928 grain-handling facilities were added to this plant and grain spirits were made and sold to permittees desiring this commodity. These facilities were repeatedly enlarged.

With the repeal of prohibition in 1933, Publicker actively entered the beverage-distilling field through a subsidiary, the Continental Distilling Corp. The original Continental plant now has the largest capacity of any beverage distillery in the world. When Publicker entered the distilled-spirits field, competitors like Seagram had not yet acquired their first United States plant, while Schenley and National distillers were still to begin the acquisition of small plants which is responsible for their present size. These acquisitions reached a peak during the wartime expansion of these companies when the entire beverage industry was producing war alcohol. Much of their present position in the industry came about through the purchase of many small units with whisky in storage, while Publicker's growth was one of expansion by increasing its own facilities.

In the spring of 1941 Publicker officials pointed out to the Government that the increasing effectiveness of Nazi submarine activities threatened the entire industrial alcohol production of the United States. To forestall the Nazi U-boat menace, Publicker urged the Government to equip all alcohol-producing plants on the east coast with grain-handling facilities, so that they would no longer be dependent upon molasses.

When war came Publicker, along with other United States producers, concentrated its vast facilities on the production of alcohol for our wartime program. Without awaiting Government action, Publicker in the summer of 1941 made arrangements to switch a large part of its existing fermentation and distilling capacity to the use of grain at its Bigler Street plant. As a result the company was able to handle 45,000 bushels of grain a day. This gave the company a daily grain alcohol production of approximately 225,000 gallons. Immediately after Pearl Harbor the Publicker company applied for priorities to construct at its own expense 65,000 bushels additional daily grain-handling facilities.

The Government delayed action on this request until the summer of 1942—until it developed a grain-handling program for the entire beverage- and industrial-alcohol industry. At least 26 projects for the wartime expansion of distillery and industrial alcohol plants were included in this program. Publicker, first to propose the expansion of grain-handling facilities for the industry, was practically the last to have its project approved.

Practically each and every United States distillery and industrial alcohol plant which could possibly contribute to the war effort received Government aid in the form of equipment and/or priorities, and in most cases the Government financed their wartime expansion.

In the case of Publicker the Government installed primarily equipment to dry the residue after distillation. This was done to avoid waste of valuable cattle feed.

It must be distinctly understood that not one gallon of additional fermentation or still capacity was added to the Publicker plant with or without Government money during the war. The fermentation and still capacity had been provided by the company at its own expense prior to the war. One beer still was included in the above-mentioned grain-handling program, but it was for the production of butanol and acetone, two highly essential war chemicals, of which Publicker is also the largest producer. Publicker would have been able, even without the Government grain-handling facilities, to have greatly increased its alcohol production from grain, but this would have entailed the utilization of many makeshift methods and would have resulted in especially high-cost alcohol to the Government.

It is interesting to point out here that the foresight of the Publicker Co. in expanding its grain-handling facilities in the summer of 1941, a year before Government action, practically kept the Government's synthetic-rubber program going. Originally, the Government started its synthetic-rubber program on a 100-percent-petroleum basis. Then, as a result of the Bernard M. Baruch report, it was changed to part alcohol and part petroleum production. But the stepped-up United States aviation program caused so heavy a demand for butane for high-test gasoline, that petroleum for the rubber program had to be diverted for wartime aviation expansion. Publicker, having prior to the war increased its grain-handling capacity to 45,000 bushels, was by far the largest single producer of alcohol needed for synthetic-rubber production, which kept the program going until the Government could expand the production capacity of other distillers and industrial-alcohol plants.

DEPARTMENT OF AGRICULTURE,
Washington, February 6, 1948.

Dr. LEWIS H. MARKS,
Executive Vice President,
Publicker Industries, Inc.,
Philadelphia, Pa.

DEAR DR. MARKS: This is in reply to your letter of January 30, 1948, in which you request data regarding Publicker Industries grain quota in comparison with that for the industry as a whole. The Publicker plants under consideration are Continental Distilling Corp., RD 1 Pa.; Continental Distilling Corp., RD 14 Pa.; Kinsey Distilling Corp., RD 10 Pa.; and Publicker Industries, Inc., IAP 160 Pa.

On a strict capacity basis, the Publicker companies consolidated grain quota would have been 23.5 percent of the industry's total.

On the present allocation formula, as presented in appendix A of the Order Allocating Grain to Distillers, the Publicker companies' consolidated quota is 14.7 percent of the industry's total.

Sincerely,

N. E. DODD,
Under Secretary.

TREASURY DEPARTMENT,
Washington, February 17, 1948.

Dr. LEWIS H. MARKS,
Executive Vice President,
Publicker Industries, Inc.,
Philadelphia, Pa.

GENTLEMEN: Receipt is acknowledged of your letter of February 4, 1948, requesting confirmation from Bureau records of the fol-

lowing statements concerning the use of grain by Publicker companies from October 26, 1947, through January 1, 1948:

1. Whether the Publicker companies, including all of the grain distilling plants operated by Publicker, including its subsidiaries Continental and Kinsey, did in fact stop mashing grain for beverage purposes on October 25.

2. Whether the Publicker companies used any grain for beverage purposes during the period October 26, 1947, to January 1, 1948, inclusive.

According to the records in this office, the quantity of grain and grain products used at plants operated by Publicker companies for the period October 26, 1947, to December 31, 1947, inclusive, was as follows:

R. D. No. 3—Publicker Commercial Alcohol Co. of Louisiana, Inc., Westwego, La.: None.

R. D. No. 1—Continental Distilling Corp., Philadelphia, Pa.: None.

R. D. No. 10—Kinsey Distilling Corp., Linfield, Pa.: None.

R. D. No. 14—Continental Distilling Corp., Philadelphia, Pa.: None.

I. A. P. No. 29—Publicker Industries, Inc., Philadelphia, Pa.: None.

I. A. P. No. 231—Continental Distilling Corp., Philadelphia, Pa.: None.

I. A. P. No. 239—Publicker Commercial Alcohol Co. of Louisiana, Inc., Westwego, La.: None.

I. A. P. No. 160—Publicker Industries, Inc., Philadelphia, Pa.: 28,856,655 pounds (515,297.4 bushels) used in butyl-acetone fermentation (from which 245,555 proof gallons of ethyl alcohol was produced).

The Bureau records are not such as will permit the determination of whether the ethyl alcohol was used for industrial or beverage purposes. However, the Bureau has been advised by the district supervisor, Alcohol Tax Unit, Philadelphia, Pa., that the ethyl alcohol derived from the butyl-acetone fermentation process at industrial alcohol plant No. 160, operated by Publicker Industries, Inc., Philadelphia, Pa., during the period from October 26, 1947, through December 31, 1947, was denatured under various formulas for industrial purposes.

Statistics for January 1, 1948, are not available.

Very truly yours,
CARROLL E. MEALEY,
Deputy Commissioner.

The PRESIDENT pro tempore. Is there objection to the present consideration of Senate Joint Resolution 186?

Mr. CAPEHART. Let the joint resolution go over.

The PRESIDENT pro tempore. The joint resolution will be passed over.

USE AND OCCUPANCY OF NATIONAL FOREST LANDS

The bill (H. R. 1809) to facilitate the use and occupancy of national forest lands and for other purposes was announced as next in order.

Mr. CORDON. Mr. President, reserving the right to object, I note that the provisions of House bill 1809, Calendar 943, permit the Secretary of Agriculture to adopt rules and regulations permitting the use by private individuals of portions of the public domain within national forests for a period up to 30 years. I also note that there is no provision for giving notice of intention to do so. In view of the fact that this plan includes commercialization of those areas, unless the bill can be amended to provide for adequate public notice I must ask that it go over.

The PRESIDENT pro tempore. The bill will be passed over.

BILL PASSED OVER

The bill (S. 2142) to make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

PAYMENT OF SALARIES AND EXPENSES OF CERTAIN OFFICIALS OF FORT PECK GENERAL COUNCIL

The Senate proceeded to consider the bill (S. 1021) authorizing the Secretary of the Interior to pay salaries and expenses of the chairman, secretary, and clerk, of the Fort Peck General Council, members of the Fort Peck Business Committee, and other committees appointed by said Fort Peck General Council, and official delegates of the Fort Peck Tribe, which had been reported from the former Committee on Public Lands with an amendment, to strike out all after the enacting clause and insert:

That the Secretary of the Interior, or his duly authorized representative, is hereby authorized, beginning as of July 1, 1947, and until otherwise directed by Congress, to pay out of any unobligated tribal funds of the Fort Peck Indians in the Treasury of the United States the following salaries and expenses:

To the chairman, secretary, and clerk of the Fort Peck General Council and members of the Fort Peck Tribal Executive Board or other committees appointed by the general council, when engaged on business of the tribes, a salary of not to exceed \$8 per day and a per diem of not to exceed \$3 in lieu of subsistence and all other expenses; to such official delegates of the Fort Peck Tribes, who may carry on the business of the tribes at the seat of government, a salary of not to exceed \$8 per day and a per diem of \$10 in lieu of subsistence and all other expenses: *Provided*, That the rate of salary and per diem paid shall be fixed in advance by the general council of said tribes or by the tribal executive board of the said tribes if authorized by said general council: *Provided further*, That the official delegates of the tribes carrying on said business at the seat of government shall also receive the usual railroad and sleeping-car or airplane transportation to and from the seat of government, or, if travel is by automobile, delegates furnishing such transportation shall receive an amount equivalent to the cost of their railroad and sleeping-car transportation to and from the seat of government, but salary and per diem shall not be paid to delegates traveling by automobile for any period in excess of the time required to perform the travel by railroad: *Provided further*, That the total amount of the aforesaid salaries and expenses shall not exceed \$10,000 per annum: *And provided further*, That the length of stay of the official delegates at the seat of government shall be determined by the Commissioner of Indian Affairs.

Mr. LANGER. Mr. President, may we have an explanation of the bill? What is the Fort Peck General Council? Is it a council of Indians?

Mr. MURRAY. Mr. President, the Fort Peck General Council is a council of the Indians. These funds belong to the Indians and are held in trust by the Secretary of the Interior. The bill merely authorizes him to pay the salaries

of officers of the tribal council. It has the full approval of the committee.

The PRESIDENT pro tempore. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read "A bill authorizing the Secretary of the Interior to pay salaries and expenses of the chairman, secretary, and clerk of the Fort Peck General Council, members of the Fort Peck tribal executive board, and other committees appointed by said Fort Peck General Council, and official delegates of the Fort Peck Tribes."

AMENDMENT OF NATIONAL SERVICE LIFE INSURANCE ACT

The bill (H. R. 4141) to amend subsection 602 (d) (5) of the National Service Life Insurance Act of 1940, as amended, to extend for 2 years the time within which eligible persons may apply for gratuitous insurance benefits was considered, ordered to a third reading, read the third time, and passed.

ELIGIBILITY FOR BURIAL IN NATIONAL CEMETERIES

The bill (S. 1620) to establish eligibility for burial in national cemeteries, and for other purposes, was announced as next in order.

Mr. SALTONSTALL. Mr. President, may we have an explanation of the bill?

Mr. BUTLER. Mr. President, I do not have my detailed notes with me at the moment, but I can give the Senator the explanation in substance.

In the past, the custom has been to permit the burial of the wife of a serviceman in a national cemetery in anticipation that sometime his body would be placed alongside hers. This bill permits the removal of bodies in order that they may be placed in the same burial lot, if, as and when that is found desirable. It is a custom that has been followed by the Department for a long time, but it has been done without definite legal authority. The Department wishes to continue the custom which has prevailed in the past, but to have definite authority for doing so.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

There being no objection, the bill (S. 1620) was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That burial in national cemeteries of the remains of the following classes of persons is authorized under such regulations as the Secretary of War may prescribe: (a) Any member or former member of the armed forces of the United States whose last service terminated honorably, by death or otherwise; (b) any citizen of the United States who, during any war in which the United States has been or may hereafter be engaged, served in the armed forces of any government allied with the United States during such war, and whose last service terminated honorably, by death or otherwise; and (c) the wife, husband, widow, widower, minor child, and, in the discretion of the Secretary of War, unmarried adult child of any of the persons enumerated in (a) and

(b) herein: *Provided*, That the remains of those persons enumerated in (c), above, may, in the discretion of the Secretary of War, be removed from a national cemetery proper and interred in the post section of a national cemetery or in a post cemetery if, upon death, the related member of the armed forces of the United States or allied government is not buried in the same or an adjoining grave site. Persons who were members of the Cabinet of the President of the United States at any time during the period between April 6, 1917, and November 11, 1918, may also be buried in any national cemetery: *Provided*, That the interment is without cost to the United States.

SEC. 2. Section 4878, Revised Statutes, as amended (24 U. S. C. 281), is hereby repealed.

DE SOTO NATIONAL MEMORIAL

The Senate proceeded to consider the bill (H. R. 4023) to authorize the establishment of the De Soto National Memorial, in the State of Florida, and for other purposes, which had been reported from the Committee on Interior and Insular Affairs, with an amendment, on page 2, in line 18, after the word "sums", to insert "not to exceed \$25,000."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

SEWAGE-DISPOSAL SYSTEM FOR YORKTOWN AREA OF COLONIAL NATIONAL HISTORICAL PARK, VA.

The bill (H. R. 2159) to authorize the Secretary of the Interior to prepare plans and estimates for a sewage-disposal system to serve the Yorktown area of the Colonial National Historical Park, Va., and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (H. R. 2453) to provide for the establishment and operation of a research laboratory in North Dakota lignite-consuming region was announced as next in order.

The PRESIDENT pro tempore. Is there objection to the present consideration of the bill?

Mr. CORDON. Mr. President, reserving the right to object, although I shall not object, let me say that I do not have a copy of the bill in my calendar file. I would ask the distinguished Senator from Nebraska to advise the Senate as to the amount of the authorization carried in the bill, inasmuch as I do not have the bill before me.

Mr. HICKENLOOPER. Mr. President, let the bill go over.

The PRESIDENT pro tempore. The Senator from Iowa has asked that the bill go over, and it will be passed over.

DESIGNATION OF PARK RIVER DAM AND RESERVOIR PROJECT AS HOMME RESERVOIR AND DAM

The joint resolution (H. J. Res. 61) to provide for the designation of the Park River dam and reservoir project in Walsh County, N. Dak., as the Homme Reservoir and Dam, was considered, ordered to a third reading, read the third time, and passed.

DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued March 16, 1948
For actions of March 15, 1948
80th-2nd, No. 49

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HIGHLIGHTS: Sen. Aiken et al introduced, and Sen. Aiken explained, long-range farm program bill. Rep. Hope introduced bill to repeal wheat-carryover requirement. House passed bill to remove price criteria as export-control factor. House received proposed borrowing authorization for REA. Joint Housing Committee submitted its report; Senate voted further continuation; and Sen. McCarthy introduced and discussed housing bill. Senate passed independent offices appropriation bill. Rep. Boggs criticized reports that cotton prices are too high. Rep. Schwabe (Mo.) inserted grain association letter opposing CCC charter bill.

SENATE

1. INDEPENDENT OFFICES APPROPRIATION BILL. Passed with amendments this bill, H. R. 5214, which includes appropriations for the Civil Service Commission, Budget Bureau, General Accounting Office, etc., and various annual general provisions (pp. 2898, 2902, 2914-28). Conferees were appointed (p. 2928).
2. FORESTS. Passed without amendment H. R. 1809, to broaden the authority of the Secretary to grant long-term occupancy permits in National forests in Alaska for summer homes, hotels, etc., by authorizing permits for a wider variety of purposes and extending the limit on acreage from 5 acres to 80 (p. 2891). This bill will now be sent to the President.
3. HOUSING. Received the report of the Joint Committee on Housing (pp. 2883). Sen. McCarthy, Wis., discussed the report and a proposed bill on the subject (pp. 2887-8). Agreed, with amendments, to H. Con. Res. 155, continuing the Joint Committee and requiring it to submit a final report not later than May 15, 1948 (p. 2898). Sen. McCarthy discussed the committee's recommendations and analyzed the proposed legislation in detail (pp. 2902-14).
4. SMALL BUSINESS. Agreed, without amendment, to S. Res. 191, continuing the Small Business Committee during the remainder of this Congress (pp. 2893-5, 2928).

5. MINERAL LANDS. The Interior and Insular Affairs Committee reported without amendment H. R. 5049, to reopen the revested O & C Railroad and reconveyed Coos Bay Wagon Road grant lands to exploration, location, entry, and disposition under the general mining laws (S. Rept. 1012)(p. 2883).
6. PERSONNEL; ECONOMY. Received the report of the Joint Committee on Reduction of Nonessential Federal Expenditures on Government employment, etc. (pp. 2884-6).
7. VETERANS' PREFERENCE. Indefinitely postponed H. R. 1389, to define "active duty" under the veterans' preference laws, in view of a Supreme Court decision (p. 2889).
8. SURPLUS COMMODITIES. S. J. Res. 187, the Aiken measure to provide for use of Sec. 32 funds in foreign aid, was indefinitely postponed in view of the amendment to the ERP bill (p. 2892).
9. SURPLUS PROPERTY. Passed with amendment S. 2277, to permit WAA to transfer to State and local governments, with a priority below that given to Federal agencies, real property suitable for use as public parks or recreational areas, etc., at 50% of value (p. 2892).
10. BUILDING. Passed without amendment H. R. 3506, to provide for acquisition of a site for a Federal building in Huntington, W. Va. (p. 2892). This bill will now be sent to the President.
11. BILLS PASSED OVER included: S. 669, grain bonus (p. 2888); S. 299, to extend reclamation laws to Ark. (p. 2888); H. R. 3141, to transfer the Benmont Service to USDA (p. 2888) and S. 2142, to transfer the Muscatine alcohol plant to USDA (p. 2891).

HOUSE

12. EXPORT CONTROLS. Passed without amendment H. R. 5470, which removes price criteria as a factor in the granting of export licenses (pp. 2944-9).
13. R.E.A. Received from the President a proposal to increase REA borrowing authority by \$175,000,000 for the fiscal year 1948 (H. Doc. 567) (p. 2979).
14. EXECUTIVE ORGANIZATION. The following are excerpts from the report of the Expenditures in the Executive Departments Committee on organization of Federal executive departments and agencies (see Digest 47):

"The heterogeneity of components, complained of in previous reports still exists. At the present time there are 352 principal components of the Federal Government too diversified to classify."

"...this committee is engaged in standardizing Government organization and nomenclature. Our objective is simple. It is to have each department or independent agency use the following names and subdivisions in descending order of importance: Bureau, Division, Branch, Section, Unit."

"We have urged departments and agencies to abolish names which conflict with those of others...Considerable progress can be reported to date and a large amount of interest has been shown by department and agency heads and we are hopeful that by the end of the year the entire executive branch will be organized in this fashion. A number of departments and agencies have made significant changes in line with our recommendations."

"The original idea underlying the formation of Government corporations was to provide instrumentalities with greater flexibility than the average bureau

of the National Advisory Committee for Aeronautics which had been reported from the Committee on Armed Services with an amendment, to strike out all after the enacting clause and insert:

That the eighth paragraph following the caption "Pay, miscellaneous" in the act entitled "An act making appropriations for the naval service for the fiscal year ending June 30, 1916, and for other purposes," approved March 3, 1915 (38 Stat. 930; U. S. C., title 49, sec. 241), as amended, is hereby amended to read as follows:

"NATIONAL ADVISORY COMMITTEE FOR AERONAUTICS"

"(a) There is hereby established a National Advisory Committee for Aeronautics (hereinafter referred to as the 'Committee') to be composed of not more than 17 members appointed by the President. Members shall serve as such without compensation, and shall include two representatives of the Department of the Air Force; two representatives of the Department of the Navy from the office in charge of naval aeronautics; two representatives of the Civil Aeronautics Authority; one representative of the Smithsonian Institution; one representative of the United States Weather Bureau; one representative of the National Bureau of Standards; the chairman of the Research and Development Board of the National Military Establishment; and not more than seven other members selected from persons acquainted with the needs of aeronautical science, either civil or military, or skilled in aeronautical engineering or its allied sciences. Unless otherwise provided by law, each member not representing a government department or agency shall be appointed for a term of 5 years from the date of the expiration of the term of the member whom he succeeds, except that any member appointed to fill a vacancy occurring prior to the expiration of a term shall be appointed for the unexpired term of the member whom he succeeds.

"(b) Under such rules and regulations as shall be formulated by the Committee, with the approval of the President, for the conduct of its work, it shall be the duty of the Committee (1) to supervise and direct the scientific study of the problems of flight with a view to their practical solution, (2) to determine the problems which should be experimentally attacked, and to discuss their solution and their application to practical questions, and (3) to direct and conduct research and experiment in aeronautics in the Langley Aeronautical Laboratory, the Ames Aeronautical Laboratory, the Flight Propulsion Research Laboratory, and in such other laboratory or laboratories as may, in whole or in part, be placed under the direction of the Committee.

"(c) An annual report to the Congress shall be submitted by the Committee through the President, including an itemized statement of expenditures."

SEC. 2. Each member of the National Advisory Committee for Aeronautics not representing a Government department or agency who may be appointed initially to fill any vacancy created by the increase in the membership of the Committee authorized by the amendment made by the first section of this act shall serve under such appointment for a term expiring December 1, 1950.

SEC. 3. The following parts of acts are hereby repealed:

(a) That portion of the ninth paragraph following the caption "Pay, miscellaneous," in the act entitled "An act making appropriation for the naval service for the fiscal year ending June 30, 1916, and for other purposes," approved March 3, 1915 (38 Stat. 930; U. S. C., title 49, sec. 243), which reads as follows: "Provided, That an annual report to the Congress shall be submitted

through the President, including an itemized statement of expenditures."

(b) That portion of the paragraph following the caption "National Advisory Committee for Aeronautics," in the act entitled "An act making appropriations for sundry civil expenses of the Government for the fiscal year ending June 30, 1919, and for other purposes," approved July 1, 1918 (40 Stat. 650; U. S. C., title 49, sec. 242), which reads as follows: "Provided, That the Secretary of War is authorized and directed to furnish office space to the National Advisory Committee for Aeronautics in governmental buildings occupied by the Signal Corps."

(c) That portion of the first paragraph following the caption "National Advisory Committee for Aeronautics," in the act entitled "An act making appropriations for the Executive Office and sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1927, and for other purposes," approved April 22, 1926 (44 Stat. 314; U. S. C., title 49, sec. 244), which reads as follows: "hereafter to be known as the Langley Memorial Aeronautical Laboratory."

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to promote the national defense by increasing the membership of the National Advisory Committee for Aeronautics, and for other purposes."

USE AND OCCUPANCY OF NATIONAL FOREST LANDS

The bill (H. R. 1809) to facilitate the use and occupancy of national forest lands, and for other purposes, was announced as next in order.

The PRESIDENT pro tempore. Is there objection?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (S. 2142) to make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes, was announced as next in order.

Mr. BUTLER. Over.

The PRESIDENT pro tempore. The bill goes over.

LIGNITE RESEARCH LABORATORY IN NORTH DAKOTA

The Senate proceeded to consider the bill (H. R. 2453) to provide for the establishment and operation of a research laboratory in the North Dakota lignite-consuming region for investigation of the mining, preparation, and utilization of lignite, for the development of new uses and markets, for improvement of health and safety in mining; and for a comprehensive study of the possibilities for increased utilization of the lignite resources of the region to aid in the solution of its economic problems and to make its natural and human resources of maximum usefulness in the reconversion period and time of peace, which had been reported from the Committee on Interior and Insular Affairs, with an amendment, on page 2, line 8, after the word "conserving," to insert "lignite coal."

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

BILLS PASSED OVER

The bill (S. 984) to prohibit discrimination in employment because of race, religion, color, national origin, or ancestry, was announced as the next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill goes over on objection.

The bill (S. 2242) to authorize for a limited period of time the admissions into the United States of certain European displaced persons for permanent residence and for other purposes, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill goes over on objection.

AUTHORIZATION FOR CONSTRUCTION OF BRIDGES IN MARYLAND

The bill (S. 2201) supplementing the act entitled "An act authorizing the State of Maryland, by and through its State Roads Commission or the successors of said commission, to construct, maintain, and operate certain bridges across streams, rivers, and navigable waters which are wholly or partly within the State," approved April 7, 1938, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That the State of Maryland, by and through its State Roads Commission or the successors of said commission, is hereby authorized to construct, maintain, and operate, subject to the provisions of subsection (b) of section 502 of the General Bridge Act of 1946, (1) a bridge across or a tunnel under the Chesapeake Bay, in the State of Maryland, from a point in Anne Arundel County at or near Sandy Point to a point approximately opposite on Kent Island, or a combined bridge and tunnel at such location, and approaches thereto, and (2) a bridge across or a tunnel under the Patapsco River in the city of Baltimore from a point at or near the mouth of North West Branch to a point approximately opposite at or near Fairfield, and approaches thereto.

SEC. 2. The State of Maryland, by and through its State Roads Commission or the successors of said commission, is hereby authorized to fix and charge tolls in accordance with the laws of the State of Maryland for the use of each of the structures and facilities the construction of which is hereby authorized and to use such tolls in accordance with the laws of the State of Maryland for the purposes hereinafter provided.

SEC. 3. The State of Maryland, by and through its State Roads Commission or the successors of said commission, may unite or group either or both of the bridges heretofore constructed in accordance with the provisions of the act approved April 7, 1938 (52 Stat. 205), across the Susquehanna River and the Potomac River with either or both of the structures and facilities the construction of which is hereby authorized into one or more projects for financing purposes. The rates of tolls charged for the use of each of the structures or facilities so included in any such project shall be so adjusted in accordance with the provisions of said act of April 7, 1938, as to provide in the aggregate a fund not to exceed an amount sufficient to pay the reasonable costs of main-

taining, repairing, and operating all of the structures or facilities included in the project, and their approaches, under economical management, and to provide a sinking fund sufficient to amortize the aggregate cost of the structures or facilities hereby authorized included in the project, and their approaches, including the principal and interest on revenue bonds issued for financing such costs, and such portion of the aggregate cost not yet amortized of the said bridges across the Susquehanna River and the Potomac River included in the project, and their approaches, including reasonable interest and financing costs, as soon as possible under reasonable charges but within a period not exceeding 40 years from the date of completion of the last completed structure or facility included in the project. Within the afore-mentioned period of 40 years, tolls may be charged and continued to be charged for the use of any of the structures or facilities included in any such project and adjusted at such rates as may be necessary to provide a fund sufficient to pay any revenue bonds, with interest thereon and any lawful premium for the retirement thereof before maturity, heretofore or hereafter issued for the financing of such project or any of the structures or facilities included therein, or for the refunding from time to time of said bonds, or any of them, or of any such refunding bonds. Nothing in this act shall be construed as authorizing tolls to be charged for the use of any one or more of the hereinabove named structures or facilities for the purpose of financing any structure or facility not authorized by this act and by said act of April 7, 1938.

SEC. 4. After a sinking fund sufficient to amortize the cost of the structures or facilities in any such project and sufficient to pay the principal and interest and any lawful retirement premium on revenue bonds issued as aforesaid with respect to such project shall have been so provided the structures or facilities included in such project shall be maintained and operated free of tolls.

SEC. 5. The right to alter, amend, or repeal this act is hereby expressly reserved.

JOINT RESOLUTION INDEFINITELY POSTPONED

The joint resolution (S. J. Res. 187) authorizing the Secretary of Agriculture to utilize section 32 funds to encourage the exportation of surplus agricultural commodities and products thereof under foreign-aid programs, was announced as next in order.

Mr. AIKEN. Mr. President, inasmuch as the substance of the joint resolution was incorporated in the European recovery program bill which was passed Saturday night, I ask unanimous consent to have the joint resolution taken from the calendar.

The PRESIDENT pro tempore. Without objection, the joint resolution is indefinitely postponed.

CONCURRENT RESOLUTION PASSED OVER

The concurrent resolution (H. Con. Res. 131) against adoption of Reorganization Plan No. 1 of January 19, 1948, was announced as next in order.

Mr. WHERRY. Mr. President, I ask unanimous consent that the concurrent resolution may be made the pending business tomorrow.

The PRESIDENT pro tempore. Without objection, it is so ordered, and the resolution goes over.

DISPOSITION OF SURPLUS REAL PROPERTY FOR USE AS PUBLIC PARKS

The Senate proceeded to consider the bill (S. 2277) to amend section 13 of the

Surplus Property Act of 1944, as amended, to provide for the disposition of surplus real property to States, political subdivisions, and municipalities for use as public parks, recreational areas, and historic-monument sites, and for other purposes.

Mr. ROBERTSON of Wyoming. Mr. President, I ask that a small amendment may be made in the bill, on page 2, in line 1, after the word "subdivision", to insert "instrumentalities thereof."

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Wyoming.

The amendment was agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That section 13 of the Surplus Property Act of 1944 (55 Stat. 756), as amended, is further amended by adding at the end thereof the following new subsection:

"(h) (1) Notwithstanding any other provision of this act, any disposal agency designated pursuant to this act may, with the approval of the Administrator, convey to any State, political subdivision, instrumentality thereof, or municipality, all of the right, title, and interest of the United States in and to any surplus land, including improvements and equipment located thereon, which, in the determination of the Secretary of the Interior, is suitable and desirable for use as a public park, public recreational area, or historic monument, for the benefit of the public. The Administrator, from funds appropriated to the War Assets Administration, shall reimburse the Secretary of the Interior for the costs incurred in making any such determination.

"(2) Conveyances for park or recreational purposes made pursuant to the authority contained in this subsection shall be made at a price equal to 50 per cent of the fair value of the property conveyed, based on the highest and best use of the property at the time it is offered for disposal, regardless of its former character or use, as determined by the Administrator. Conveyances of property for historic-monument purposes under this subsection shall be made without monetary consideration.

"(3) The deed of conveyance of any surplus real property disposed of under the provisions of this subsection—

"(A) shall provide that all such property shall be used and maintained for the purpose for which it was conveyed for a period of not less than 20 years, and that in the event that such property ceases to be used or maintained for such purpose during such period, all or any portion of such property shall in its then existing condition, at the option of the United States, revert to the United States; and

"(B) may contain such additional terms, reservations, restrictions, and conditions as may be determined by the Administrator to be necessary to safeguard the interests of the United States."

SEC. 2. Section 13 (f) of the Surplus Property Act of 1944, as amended, is amended to read as follows:

"(f) Except as otherwise provided by this section, the disposal of surplus property under this section to States and political subdivisions and instrumentalities thereof shall be given priority over all other disposals of property provided for in this act except (1) transfers to Government agencies under section 12 of this act, as amended; (2) disposals to veterans under section 16 of this act, as amended; and (3) purchases made under section 208 (a) of the joint resolution entitled "Joint resolution to extend the succession, lending powers, and functions of the Reconstruction Finance Corpora-

tion," approved June 30, 1947 (61 Stat. 202). Disposals of real property to States, political subdivisions, and instrumentalities thereof for any of the purposes specified in section 13 (a) (1) (A), section 13 (a) (1) (B), section 13 (c), section 13 (d), section 13 (e), section 13 (g), or section 13 (h) of such act, as amended, shall be given priority over all other disposals of property provided for in this act except transfers to Government agencies under section 12 of this act, as amended. The Administrator may prescribe a reasonable time during which any such priority shall be exercised."

SEC. 3. The second sentence of section 208 (a) of the joint resolution entitled "Joint resolution to extend the succession, lending powers, and functions of the Reconstruction Finance Corporation," approved June 30, 1947 (61 Stat. 202), is amended to read as follows: "The purchase of surplus property under this section shall be given priority under the Surplus Property Act of 1944, as amended, immediately following (a) transfers to Government agencies under section 12 of such act, as amended; (b) disposals to veterans under section 16 of such act, as amended; and (c) disposals of property to States, political subdivisions, and instrumentalities thereof under section 13 (a) (1) (A), section 13 (a) (1) (B), section 13 (c), section 13 (d), section 13 (e), section 13 (g), or section 13 (h) of such act, as amended."

POST-OFFICE BUILDING, PORTLAND, OREG.

The bill (H. R. 4967) to provide for the acquisition of a site and preparation of plans and specifications for a new postal building and for remodeling of the existing main post-office building in Portland, Oreg., and for other purposes, was considered, ordered to a third reading, read the third time, and passed.

PURCHASE OF POST-OFFICE SITE, OMAHA, NEBR.

The bill (H. R. 4836) to authorize the purchase of a new post-office site at Omaha, Nebr., was considered, ordered to a third reading, read the third time, and passed.

SITE FOR FEDERAL BUILDING AT HUNTINGTON, W. VA.

The bill (H. R. 3506) to provide for the acquisition of a site for a new Federal building in Huntington, W. Va., adjoining existing Federal buildings there, as an economy measure, before land values have increased as a result of improvements, was considered, ordered to a third reading, read the third time, and passed.

BILL PASSED OVER

The bill (S. 2287) to amend the Reconstruction Finance Corporation Act as amended and for other purposes was announced as next in order.

On objection, the bill was passed over.

PROMOTION OF EMPLOYEES IN THE FIELD POSTAL SERVICE

The bill (S. 2181) to ratify the administrative promotions of employees on military furlough from the field postal service, in certain cases, and for related purposes, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted, etc., That if an employee in the field postal service was promoted, after September 15, 1940, and before January 1, 1948, to the position of special clerk or to any other position not then in an automatic grade, and the promotion was unauthorized by law only because the employee

PROVIDING FOR MAKING AVAILABLE THE GOVERNMENT-OWNED
ALCOHOL PLANTS AT MUSCATINE, IOWA, KANSAS CITY, MO.,
AND OMAHA, NEBR., FOR THE PRODUCTION OF PRODUCTS FROM
AGRICULTURAL COMMODITIES

APRIL 6, 1948.—Committed to the Committee of the Whole House on the State
of the Union and ordered to be printed

Mr. HOPE, from the Committee on Agriculture, submitted the
following

REPORT

[To accompany H. R. 6096]

The Committee on Agriculture, to whom was referred the bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with the following amendments:

On page 2, line 25, strike out the following: "disposal to, or".

On page 3, line 1, strike out the comma following the words "operation by".

On page 3, line 5, strike out the following: "sale,".

GENERAL STATEMENT

During the recent war the Government financed the construction of three war plants for the making of grain alcohol, a much-needed war material. These plants were located at Kansas City, Mo.; Omaha, Nebr.; and Muscatine, Iowa. All three plants were operated at a high rate of production during the war and played an important part in providing industrial alcohol for synthetic rubber and other essential war uses.

After the end of hostilities the plants were continued in operation for some time in order to produce industrial alcohol and byproduct feed. Sponsorship of the plants was transferred from the War Production Board to the Department of Agriculture in 1946 and the

wartime leases for production of alcohol and feed were continued in effect at all three plants until mid-1947.

In March 1947, however, the Department of Agriculture notified the Reconstruction Finance Corporation that it had no objection to termination of the alcohol-feed leases of the two largest plants—Kansas City and Omaha—but that it wished the lease on the smallest plant—Muscatine—continued.

Accordingly, the wartime leases of the Kansas City and Omaha plants were terminated as of June 1947 and both plants were formally declared surplus in July 1947. The Kansas City plant has been idle since the termination of its lease; the Omaha plant has been operating under an interim lease to its wartime operator; and the Muscatine plant has continued in production under an extension of its wartime lease.

In October 1947 the War Assets Administration advertised for disposal the plants at Kansas City and Omaha. Bids were received from five different sources for the Kansas City plant and from seven different sources for the Omaha plant. Following a hearing on January 16, 1948, the Committee on Agriculture requested the War Assets Administration to defer disposition of these plants until June 30, 1948, and this request was acceded to. The Muscatine plant remains the property of the Reconstruction Finance Corporation and has not been declared surplus.

Following is a brief description of the three plants:

THE KANSAS CITY PLANT

This plant was constructed during 1943 at a cost to the Government of \$4,098,000. During the war it was leased to and operated by the National Distillers Products Corp. It has designed capacity to process 18,500 bushels of grain a day and to produce 15,000,000 gallons of alcohol and 54,000 tons of feed a year. Due to lack of priorities, this plant was constructed partly of used materials and equipment. In 1945 it produced alcohol at a cost of 83.78 cents per gallon. The plant has been idle since June 1947. At least one of the bids received by War Assets Administration for this plant contemplated the dismantling and removal of all or part of its facilities.

In a letter dated April 5, 1946, to the President of the Senate, in response to Senate Resolution No. 176, Seventy-ninth Congress (printed as S. Doc. No. 167, 79th Cong.), the Secretary of Agriculture makes this statement about the Kansas City plant:

It would be in the national interest to have this plant remain as a complete unit. Should it not be possible to arrange satisfactory terms of sale the facility might well be held in stand-by condition by the Government as a national-defense measure or used in experimental or surplus-disposal programs.

THE OMAHA PLANT

This is the largest of the three Government-owned alcohol plants. It has designed capacity to consume about 35,000 bushels of grain a day and to produce 22,750,000 gallons of alcohol and 88,764 tons of feed a year. During the war this capacity was considerably exceeded. The cost to the Government was \$6,806,000. This plant also was constructed partly of used and reconditioned materials and equipment, due to lack of priorities, but it is understood that in the past

year the lessees have replaced with new machinery much of the used equipment. Throughout its operation the plant has been leased to and operated by the Farm Crops Processing Corp. of Omaha, Nebr. During the war it was the most efficient of the three plants, producing alcohol in 1945 at a cost of 59.95 cents per gallon.

In his report of April 5, 1946, the Secretary of Agriculture said of this plant:

It would be desirable in the interests of national defense to maintain this plant, one of the largest in the country, as an integral unit either in actual operation or in stand-by condition. It is probable that this plant would play an important part in any program which might be adopted in the future for disposal of surplus crops.

THE MUSCATINE PLANT

This plant was built at a cost of \$2,760,000 and improvements costing about \$700,000 have been added by the lessee. It is the smallest of the three Government-owned plants, with designed capacity to use about 13,000 bushels of grain a day and to produce about 10,200,000 gallons of alcohol and 31,000 tons of feed a year. Its production cost in 1945 was 66.22 cents per gallon. The plant is leased to and operated by the Grain Processing Corp. of Muscatine, Iowa. The plant was able to obtain 100-percent priorities for its construction and is the only one of the three plants constructed entirely from new material and equipment.

In his report of April 5, 1946, the Secretary of Agriculture said of this plant:

This facility has an excellent low-cost performance record, and is well located for alcohol production from grain. The plant, as a complete unit, represents an asset to the Nation either as a defense installation and (sic) as an important instrument in a program of disposal of agricultural surpluses, or both, and should be kept by the Government if present lessees do not exercise their option.

(NOTE.—The latest available performance record, as disclosed by the hearing before the Committee on Agriculture, shows that the cost of alcohol production at the Omaha plant was more than 6 cents per gallon less than at the Muscatine plant.)

DEPARTMENT PROPOSAL

On January 20, 1948, the Secretary of Agriculture transmitted to the Speaker of the House of Representatives a proposed bill authorizing the transfer of the Muscatine plant to the Department of Agriculture, and a letter outlining the reasons for such a transfer. The letter and a supplementary statement transmitted with it are appended hereto and made a part of this report.

COMMITTEE RECOMMENDATIONS

The committee concurs in the request of the Secretary of Agriculture for transfer of the Muscatine plant to the Department of Agriculture. It believes, however, that the reasons advanced for retaining ownership of that plant in the Department apply with equal validity to the Kansas City and Omaha plants.

In using these plants to aid in the handling and disposal of any surplus agriculture products, the three plants combined will be five times as valuable as the Muscatine plant alone for this purpose—for

they have a combined grain-processing capacity of about 20,000,000 bushels per year, compared to a capacity of about 4,000,000 bushels for the Muscatine plant.

These three plants have been built at a great cost by the Government. The materials they produced were extremely important during the recent war. In view of the present unsettled world conditions, it appears to the committee that it would be action of the most foolish character to dispose of any of these plants at this time. If we did, there is no assurance that we would not be called upon within the next few months to appropriate new money to build new plants of the same kind.

The supply of gasoline for automobiles and tractors, fuel oil for furnaces and motors, and other petroleum products is uncertain. Almost every day we hear reports that rationing of these products is impending. Alcohol from agricultural products is a known and effective supplement to petroleum motor fuel. It may well be that within a short time we will need all the alcohol that can be produced in all three of these plants to supplement our petroleum fuel supplies.

In his letter to the Speaker, the Secretary emphasizes the matter of research in connection with the proposed transfer of the Muscatine plant. In this the committee is in complete agreement. Research and experimentation in developing industrial and other uses for agricultural commodities is urgently needed and many aspects of it can be carried out in a practical manner only in commercial-sized plants.

In connection with both research and the disposal of any surplus agricultural commodities it is worth noting that the only way the Department can be certain of having a plant for this purpose is by transferring at least one plant in addition to that at Muscatine. The lease contracts on all three plants included the option to buy which was usual in wartime leases. That option has expired in the case of the Kansas City and Omaha plants. The option is still in effect in the case of the Muscatine plant and the operator, by exercising that option, could acquire the plant for its own use, and deprive the Department of control of the plant for research and other purposes.

COMMITTEE BILL

In accordance with the foregoing, the committee suspended action on the bill proposed by the Secretary of Agriculture (H. R. 5398) and reports herewith a new bill (H. R. 6096) which is similar to the Department's bill except that it provides for the transfer to the Department of all three of the Government-owned plants.

JANUARY 20, 1948.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

DEAR MR. SPEAKER: Enclosed for the consideration of the Congress is a proposed bill relating to the utilization of Plancor 1684, located at Muscatine, Iowa, one of the three plants built by the Government during the war to produce industrial alcohol from grain.

The bill, if enacted, would retain ownership of this plant by the Government and would authorize the Department of Agriculture to use it in the conduct of research aimed at widening market outlets for farm products.

Industrial alcohol is a chemical which has many well-established uses throughout the United States. Prior to World War II the production of industrial alcohol in this country averaged annually around 100,000,000 gallons (190 proof). This was derived principally from blackstrap molasses, a byproduct of sugar processing.

Grains represented the raw material for less than 10 percent of the production in most years.

Toward the end of 1942 decision was reached to use grain as a base for major alcohol production for war purposes. In October of that year the entire distilled spirits industry was taken off beverage production and set to making industrial alcohol insofar as equipment and facilities would permit. Some 59 plants were expanded or modified for this purpose, largely financed by the Government. Three new plants were constructed by the Government with funds made available through the Reconstruction Finance Corporation. One of these plants, Plant No. 1684, is dealt with in the proposed legislation.

As a result of the various constructions and conversions, wartime production of industrial alcohol was increased to more than five times the level which had prevailed prior to 1939. Most of this increase came from the utilization of grain as a base for the manufacture. Output from this source was increased more than 50 times over what it had been. The three Government-built grain plants alone had capacity to produce the equivalent of one-half the former peacetime use of industrial alcohol. "Cost-plus" contracts, grain allocations and numerous other measures were used to assure maximum operations. Production of synthetic industrial alcohol, made principally from petroleum refinery waste gas, also was increased.

In the utilization of industrial alcohol the major wartime development was the tremendous expansion in the field of synthetic rubber. At the end of the war more than half of the total supply of industrial alcohol was being used for that purpose. So great was the demand for material in that field and so high was its priority that there was little opportunity to consider peacetime problems relating to alcohol.

With the object of increasing industrial use of farm materials the Department of Agriculture has for years been endeavoring to find the best methods of producing alcohol and related products, including byproduct feeds, and to determine accurately the costs. While pertinent data in the files of RFC and the former OPA are mostly available to us, they are based upon war conditions and cost-plus contracts and probably do not represent peacetime possibilities. The figures derived from pilot-plant operations at the Northern Research Laboratory, Peoria, Ill., although highly valuable often are not translatable to commercial operation without large-scale trial and demonstration. To develop new means of utilizing substantial quantities of farm commodities as for example in alcohol motor fuel, it is considered essential to have use of a controlled plant operating on a large and strictly commercial scale such as would be afforded by Plant No. 1684.

Today, much proper concern is being expressed over our rapidly diminishing reserves of petroleum. Active search is being made for synthetic liquid fuels to supplement these diminishing reserves, and large sums have been appropriated by the Congress in furtherance of this work. Yet, in farm-produced carbohydrates there already exists a vast source of liquid fuel which only lacks development. Such a development could be strongly implemented by the close integration and correlation of the research testing laboratories, alcohol pilot plant, and a large-scale production unit within the United States Department of Agriculture, where the required technical and legal personnel would be available. The advantages of having such an undertaking centered in a single organization will be at once apparent. A liaison already exists with the petroleum industry which might be extended to embrace such a development.

Should the Muscatine plant be made available to the Department its use would not be confined to work upon alcohol. The plant has excellent possibilities in many fields of agricultural chemical technology, and we would expect to explore all of them. I need only mention the problem of agricultural surpluses to emphasize the significance which favorable developments along these lines could have to the entire Nation. They might also be of great importance in relation to the national defense.

Attached to the proposed bill is a statement explaining in some detail how Plant No. 1684 would be used in relation to existing facilities of the Department.

We recommend that the proposed legislation be enacted.

The Bureau of the Budget advises that it has no objection to the submission of this proposed legislation.

Sincerely yours,

_____, Secretary.

PROPOSED UTILIZATION OF ALCOHOL PLANT AT MUSCATINE, IOWA, PLANCOR 1684,
IN THE EVENT OF TRANSFER TO THE UNITED STATES DEPARTMENT OF AGRICULTURE

The Bureau of Agricultural and Industrial Chemistry has been endeavoring for years to find the best methods of producing alcohol and to determine accurately the cost of producing industrial alcohol and other products from farm commodities as a first essential to their increased use by industry. Pertinent data now in the files of OPA, while available to us, are based on war conditions and cost-plus contracts and are not representative of peacetime possibilities. Control by the Department of Agriculture of at least one of the Government-owned grain-processing plants located in the Middle West would afford a means of ascertaining the costs and technical data under control conditions. While production costs in the alcohol industry vary from plant to plant because of location, diverse labor conditions, size, operation methods, etc., the cost data established at the Government plants will serve as an economic base or yardstick because the size, design, effectiveness of operation, labor situation, etc., are considered representative of the industry.

The Northern Regional Research Laboratory at Peoria, Ill., already has a small alcohol pilot plant, equipped for technological research on industrial processing problems relating to fermentation procedures. Certain of the required detailed information on processing costs and new operation methods may be established in this pilot plant. If sufficient operating funds were available, complete over-all operation studies might also be made in the pilot plant up to a production scale of 500 gallons per day. However, pilot-plant operations of this volume are usually not adaptable to commercial operation without adequate trial. Furthermore, the total possible production from this pilot plant is relatively small. The Muscatine plant, for instance, if operated by a cooperative lessee, would not need to be bound by certain restrictions affecting the Northern Regional Laboratory plant, and could serve as an actual full-scale trial ground on commercial basis, utilizing technological research developments from the present small plant.

Use of a controlled plant operating on a full-size commercial scale is essential for establishing accurate basic production costs and technical information for the development of new means of utilization of farm commodities, such as for motor fuel, for example. Congress has provided \$30,000,000 for research to develop synthetic liquid fuels to supplement our diminishing petroleum reserves. A liquid fuel source, alcohol, derived from agricultural raw materials, already exists and only lacks commercial development.

The subject of alcohol motor fuel is now being actively investigated at the Northern Regional Research Laboratory, where fuel and engine testing laboratories are installed. An arrangement whereby a close coordination and correlation of research testing laboratories, alcohol pilot plant, and large scale production unit directed by a single organization, such as the United States Department of Agriculture, with competent personnel, would provide an effective basis for commercial implementation of progress made in technical research. A liaison already exists with the petroleum industry covering the development and use of synthetic liquid fuels derived from coal which should be extended to embrace the development of liquid fuels from agricultural raw materials.

The developing of new methods for the use of farm raw materials for the production of such industrial commodities as alcohol entails consideration of a combination of economic and technical factors, and also frequently requires entry into presently uneconomical fields. For these reasons, it cannot be expected that private industry will have the organization or the desire to undertake full-scale development of such uses from agricultural products.

The industrial utilization of farm surpluses is limited on one hand by the relatively high cost of the raw material, and on the other hand by the necessity of selling the manufactured products in competition with those produced from cheaper or often better raw materials. Finally, increased attention must be given to balancing agricultural production and consumption through programs of surplus diversion into uses other than food and feed. Government control of the Muscatine plant would permit its use for developing outlets for crop surpluses. It would also make possible the demonstration of methods for utilization of soft corn and other off-grade grains which cannot be used efficiently in normal channels and which tend to depress market prices.

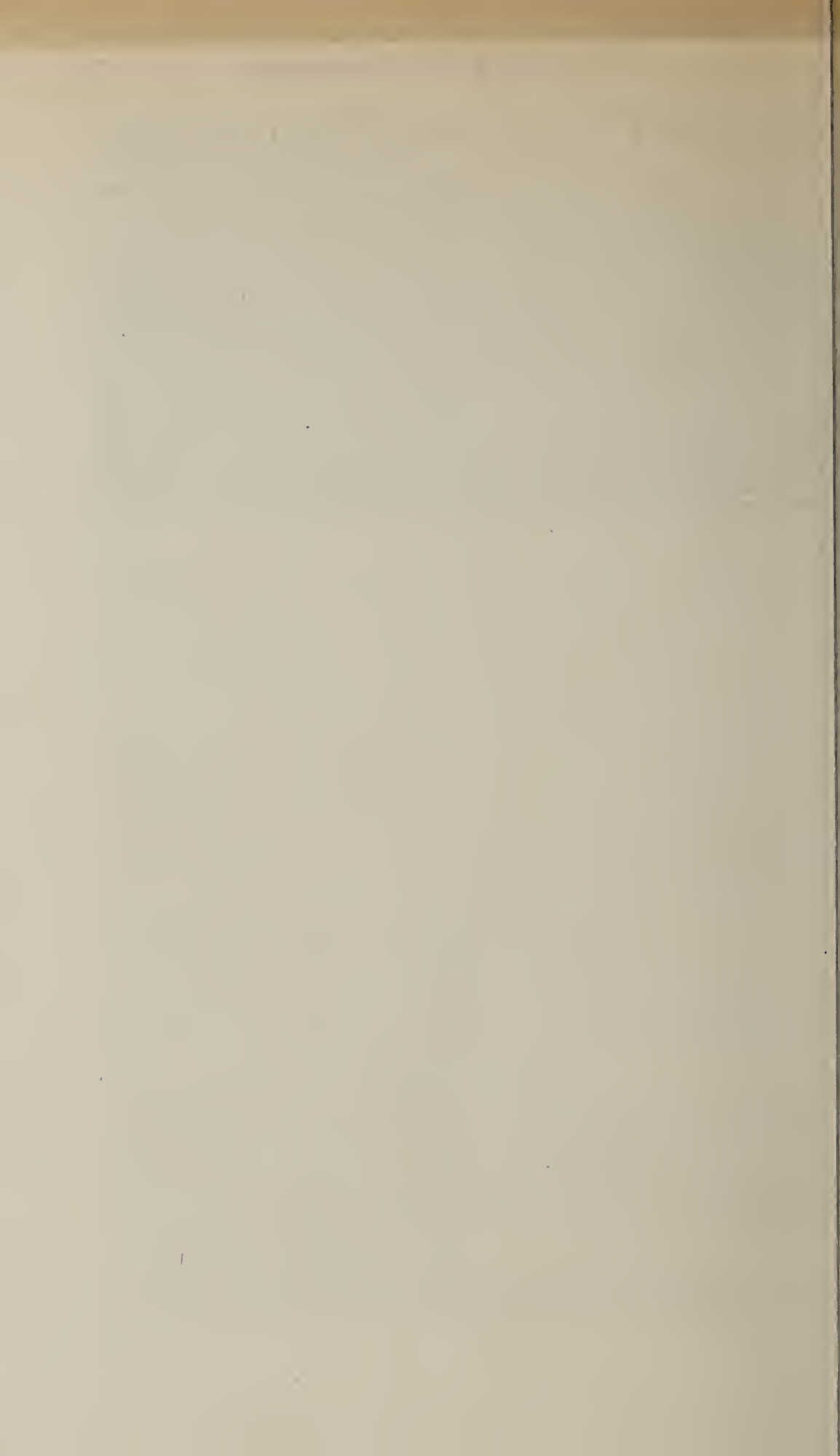
The nature and scope of the problems involved demand coordinated action for which the proper incentives and adequate facilities can be expected only from the Government. Therefore, this field of activity is preeminently one in

which the Government should pioneer. Past attempts by the Department to solve such problems have been stymied because of lack of plant facilities to implement results of our research laboratories. The utilization of existing Government-owned commercial facilities to supplement the present laboratory and pilot plant facilities will provide the needed means of attacking these problems on a scale sufficient to meet the requirements of industry.

The Museatine plant has unusual possibilities for use in many fields of agricultural chemical technology, and is not limited to industrial alcohol production. If this plant were to be taken over by the Department, the Bureau of Agricultural and Industrial Chemistry, under proper authorization, would endeavor to use it through the lessee (a) to definitely establish the costs of producing alcohol for motor fuel or other use on a commercial scale, and the costs of recovering related byproducts, under wide variations in operational conditions and kinds and types of raw materials; and (b) as an industrial trial operation or demonstration plant to translate laboratory and pilot plant findings on new fermentation or correlated process developed through research to large-scale commercial utilization.

These facilities would not only be available for use by other agencies of the Department in connection with the disposal of surplus crops and inferior grades of grain, potatoes, and other farm commodities, but would also serve as a base unit in developing and promoting market research programs. Under Government ownership, accurate and complete records of production and distribution costs can be kept and made available to the entire industry. This should stimulate the fuller utilization of farm commodities for industrial purposes.





DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

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HIGHLIGHTS: House debated foreign-aid bill. Rep. Anderson urged use of Sec. 32 funds and surplus agricultural commodities in foreign aid.

HOUSE

1. FOREIGN AID. Continued debate on S. 2202, the omnibus foreign-aid bill (pp. 3715-55).
2. DEFICIENCY APPROPRIATION BILL. Chairman Taber of the Appropriations Committee announced that the Committee expects to report this bill today and obtained unanimous consent for it to be debated Wed. or as soon thereafter as it may be reached (p. 3755).
3. FOOT-AND-MOUTH DISEASE. Received an Ariz. Legislature memorial favoring construction of a fence between the U. S. and Mexico (p. 3758).
4. HOUSING. Passed as reported S. 2361, to continue the mortgage-insurance provisions of the National Housing Act for a month after Mar. 31, 1948 (p. 3714).

SENATE

5. FOREIGN AID. S. 2393, as reported by the Foreign Relations Committee (see Digest 57), states that the bill is to aid China to relieve human suffering, to assist in retarding economic deterioration, and to afford the Chinese an opportunity to initiate self-help measures. In general, aid would be provided to China for these purposes in the same manner and to the same extent as assistance would be provided under those provisions of the ERP bill which are relevant to the purposes of the China-aid bill and to conditions in China. Authorizes appropriation of \$363,000,000, to remain available for 1 year following enactment of the bill, to be used in this manner. In addition, authorizes appropriation of

\$100,000,000, for the same period, to carry out the purposes of the bill without regard to the provisions of ERP. Authorizes RFC advances not exceeding \$50,000,000 pending appropriations.

Permission was granted for the Foreign Relations Committee to submit a revised report on this bill (p. 3682).

Consent was granted for this bill to be debated today (p. 3708).

6. EDUCATION. Continued debate on S. 472, the Federal-aid-to-education bill (pp. 3683-708). Debate on this bill is to be resumed when the China-aid bill has been disposed of.
7. HOUSING. Concurred in the House amendment to S. 2361 (see item 4 of this Digest). This bill will now be sent to the President. (p. 3708.)
8. APPROPRIATIONS; FOREIGN AID. Passed without amendment H.J.Res. 355, appropriating \$55 million additional for interim aid pending enactment of ERP (p. 3682). This measure will now be sent to the President.
9. TARIFF. Passed without amendment H.R. 4938, to provide dutiable status for platinum foxes, and platinum fox furs (p. 3682). This bill will now be sent to the President.
Passed as reported H.R. 5328, to permit free entry of wood-waste for use as fire wood (p. 3682).
10. MINING LANDS. Passed without amendment H.R. 5049, to reopen the revested Oregon & California Railroad and reconveyed Coos Bay Wagon Road grant lands to exploration, location, entry, and disposition under the general mining laws (p. 3681). This bill will now be sent to the President.
11. HOUSING CENSUS. Passed without amendment S. 1950, to provide for a decennial census of housing (p. 3681).
12. CREDIT UNION. The Banking and Currency Committee reported without amendment S. 2225, to transfer administration of the Federal Credit Union Act to the Federal Security Agency (S.Rept. 1033) (p. 3674).
13. FOREIGN AID. Received an Ariz. Legislature memorial urging aid for China (p. 3672).
14. MEXICAN BORDER FENCE. Received an Ariz. Legislature memorial urging passage of S.J.Res. 46, authorizing appropriations for the construction, operation, and maintenance of a land boundary fence along the Mexican border (p. 3672).
15. FLOOD CONTROL; SOIL CONSERVATION. Sen. Overton, La., inserted resolutions of the National Rivers and Harbors Congress favoring appropriations for flood-control and water-pollution projects, for soil conservation work, and continued study of the Federal power policy (pp. 3673-4).
16. BILLS PASSED OVER included: S. 669, grain bonus (p. 3677); S. 866, to establish a national housing policy (p. 3677); S. 299, to extend the reclamation laws to Ark. (p. 3677); H.R. 3484, to transfer Remount Service to USDA (p. 3677); S.Con. Res. 6, to provide for consolidated appropriation bill (p. 3677); S. 430, to cover national farm-loan association and production-credit association employees under the Retirement Act (p. 3678); S.J.Res. 164, RACC loans to fur farmers (p. 3678); S. 1807, to continue certain export-import and allocations powers (p. 3678); S. 2142, to transfer Muscatine alcohol plant to USDA (p. 3678); S. 1989, to pay accumulated annual leave for certain transferred employees (p. 3681); S. 1322, Federal charter for CCC (p. 3681); H.R. 3538, to authorize USDA to make drainage investigations and reports (p. 3682); and S. 2173, to amend the Agriculture

BRIDGES], the Senator from Indiana [Mr. CAPEHART], the Senator from New Jersey [Mr. HAWKES], the Senator from Massachusetts [Mr. LODGE], the Senator from West Virginia [Mr. REVERCOMB], and the Senator from Delaware [Mr. WILLIAMS] are necessarily absent.

The Senator from Nebraska [Mr. BUTLER] is absent by leave of the Senate.

The Senator from Montana [Mr. ECTON] and the Senator from North Dakota [Mr. LANGER] are absent on official committee business.

The Senator from Wisconsin [Mr. MCCARTHY] is unavoidably detained.

The Senator from Maine [Mr. WHITE] is absent because of illness.

Mr. LUCAS. I announce that the Senator from Mississippi [Mr. EASTLAND], the Senator from Louisiana [Mr. ELLENDER], the Senator from New Mexico [Mr. HATCH], the Senator from North Carolina [Mr. HOEY], the Senators from Florida [Mr. HOLLAND and Mr. PEPPER], the Senators from South Carolina [Mr. JOHNSTON and Mr. MAYBANK], the Senator from Rhode Island [Mr. McGRATH], the Senator from Pennsylvania [Mr. MYERS], the Senator from Virginia [Mr. ROBERTSON], the Senator from Tennessee [Mr. STEWART], and the Senator from Idaho [Mr. TAYLOR] are absent on public business.

The Senator from Montana [Mr. MURRAY] is absent by leave of the Senate.

The Senator from Maryland [Mr. TYDINGS] is absent because of illness.

The Senator from North Carolina [Mr. UMSTEAD] and the Senator from New York [Mr. WAGNER] are necessarily absent.

The PRESIDENT pro tempore. Sixty-eight Senators having answered to their names, a quorum is present.

Under the order of the Senate, the clerk will call the calendar for the consideration of measures to which there is no objection.

BILLS, ETC., PASSED OVER

The bill (S. 669) to provide for the payment of a bonus of 30 cents per bushel on wheat and corn produced and sold between January 1, 1945, and April 18, 1946, was announced as first in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The resolution (S. Res. 25) amending rule XXII relating to cloture, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The resolution will be passed over.

The bill (S. 354) to incorporate the Federal City Charter Commission was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 866) to establish a national housing objective and the policy to be followed in the attainment thereof, to facilitate sustained progress in the attainment of such objectives and to provide for the coordinated execution of such policy through a National Housing Commission, and for other purposes, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 408) to repeal section 13b of the Federal Reserve Act, to amend section 13 of the said act, and for other purposes, was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 299) to extend the reclamation laws to the State of Arkansas was announced as next in order.

Mr. OVERTON. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 309) designating American Indian Day was announced as next in order.

Mr. LUCAS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 1179) to aid in defraying the expenses of the seventeenth triennial convention of the World's Woman's Christian Temperance Union to be held in this country in June 1947 was announced as next in order.

Mr. LUCAS. Mr. President, I ask that the bill be temporarily passed over.

The PRESIDENT pro tempore. The bill will be temporarily passed over.

Mr. GREEN subsequently said: Mr. President, what disposition was made of Calendar 198, House bill 1179?

The PRESIDENT pro tempore. The bill was passed over.

Mr. GREEN. I thank the Chair.

The bill (S. 140) to create an executive department of the Government to be known as the Department of Health, Education, and Security was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 829) to provide for control and regulation of bank holding companies and for other purposes was announced as next in order.

Mr. DOWNEY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 18) to establish uniform qualifications of jurors in Federal courts, and for other purposes, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 518) to amend the Nationality Act of 1940 to preserve the nationality of citizens who were unable to return to the United States prior to October 14, 1946, was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 3484) to transfer the Remount Service from the War Department to the Department of Agriculture was announced as next in order.

Mr. THOMAS of Oklahoma. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1038) to amend the Federal Airport Act was announced as next in order.

Mr. LUCAS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The concurrent resolution (S. Con. Res. 6) to include all general appropriation bills in one consolidated general appropriation bill was announced as next in order.

Mr. McCARRAN. Over.

The PRESIDENT pro tempore. The concurrent resolution will be passed over.

The bill (S. 493) to provide for the coordination of agencies disseminating technological and scientific information was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 472) to authorize the appropriation of funds to assist the States and Territories in financing a minimum foundation education program of public elementary and secondary schools was announced as next in order.

Mr. WHERRY. Mr. President, this bill is the unfinished business of the Senate.

The PRESIDENT pro tempore. The bill will be passed over.

DAYLIGHT-SAVING TIME FOR THE DISTRICT OF COLUMBIA

The bill (S. 1481) to authorize the Board of Commissioners of the District of Columbia to establish daylight-saving time in the District was announced as next in order.

Mr. OVERTON. Over.

Mr. WHERRY. Mr. President, relative to Senate bill 1481, Calendar 485, the bill authorizing daylight-saving time in the District of Columbia, there is considerable demand that that bill be brought up for consideration at the end of the week. Since the Senator from Louisiana [Mr. OVERTON] is present, I suggest that he confer with the Senator from Rhode Island [Mr. McGRATH] and see if it is satisfactory to take it up at that time.

Mr. OVERTON. As I have already stated, I am willing to take it up at any time. Can the Senator from Nebraska tell us what day the bill is to be taken up?

Mr. WHERRY. I shall be glad to obtain any information I can on the subject. I simply suggest that in the event the Federal aid to education bill and the China-aid bill are concluded, that is one of the bills which we might consider at the end of this week, provided it is satisfactory to the Senator from Louisiana and the Senator from Rhode Island.

Mr. OVERTON. That is satisfactory to me.

BILLS, ETC., PASSED OVER

The PRESIDENT pro tempore. The clerk will state the next measure on the calendar.

The bill (H. R. 84) to amend the Nationality Act of 1940, as amended, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The resolution (S. Res. 150) to discharge the Committee on the Judiciary from the further consideration of Senate Resolution 116 was announced as next in order.

Mr. TOBEY. Over.

The PRESIDENT pro tempore. The resolution will be passed over.

The bill (H. R. 3051) to amend the act of July 19, 1940, and to amend section 2 and repeal the profit-limitation and certain other limiting provisions of the act of March 27, 1934, was announced as next in order.

Mr. TOBEY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

Mr. GREEN subsequently said: Mr. President, I should be inclined to ask a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state the inquiry.

Mr. GREEN. I was necessarily out of the Chamber temporarily, at the beginning of the calendar call. I should like to ask what disposition was made of Calendar 657, House bill 3051.

The PRESIDENT pro tempore. The bill was passed over.

The bill (S. 1356) providing for the incorporation of the Franco-American War Veterans was announced as next in order.

Mr. OVERTON. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 430) to amend the Civil Service Retirement Act, approved May 29, 1930, as amended, so as to make such act applicable to officers and employees of national farm-loan associations and production-credit associations, was announced as next in order.

Mr. TAFT. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1557) to incorporate the Catholic War Veterans of the United States of America was announced as next in order.

Mr. OVERTON. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1375) to incorporate the Jewish War Veterans of the United States of America was announced as next in order.

Mr. OVERTON. Over.

The PRESIDENT pro tempore. The bill will be passed over.

Mr. TOBEY. Mr. President, would a motion be in order, in view of the fact that the Senate seems to be in a killing mood, and desires all these bills to go over?

The PRESIDENT pro tempore. Under the unanimous-consent agreement such a motion would not be in order.

The clerk will state the next business on the calendar.

The bill (H. R. 3978) to provide for the temporary advancement in ranks and increase in salary of lieutenants in the Metropolitan Police Force of the District of Columbia, serving as supervisors of certain squads, was announced as next in order.

Mr. TAFT. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1663) to prohibit the payment of retirement annuities to former Members of Congress convicted of offenses involving the improper use of authority, influence, power, or privileges as Members of Congress was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 968) to authorize the Public Utilities Commission of the District of Columbia to limit the number of taxicabs licensed and operated in the District of Columbia was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 4042) to control the export to foreign countries of gasoline and petroleum products from the United States was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1653) to control the export to foreign countries of gasoline and petroleum products from the United States was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1015) to amend section 7 of the act of June 25, 1910, as amended, to reduce the interest rate on postal savings deposits to 1 percent per annum was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The joint resolution (S. J. Res. 37) requesting the President to proclaim February 1 as National Freedom Day was announced as next in order.

Mr. OVERTON. Over.

The PRESIDENT pro tempore. The joint resolution will be passed over.

The bill (H. R. 2239) to amend section 13 (a) of the Surplus Property Act of 1944, as amended, was announced as next in order.

Mr. LUCAS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1004) to amend the Atomic Energy Act of 1946, so as to provide that no person shall be appointed as a member of the Atomic Energy Commission or as General Manager of such Commission until an investigation, with respect to character, associations, and loyalty of such person shall have been made by the FBI was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The joint resolution (S. J. Res. 164) to authorize the Regional Agricultural Credit Corporation of Washington, D. C., to make loans to fur farmers and for other purposes was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1807) to provide for the temporary extension of the Export Control Act and title III of the Second War Powers Act was announced as next in order.

Mr. BUSHFIELD. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 2142) to make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance

of authorized programs of the Department of Agriculture, and for other purposes was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 984) to prohibit discrimination in employment because of race, religion, color, national origin, or ancestry was announced as next in order.

Mr. McCLELLAN. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 2242) to authorize for a limited period of time the admissions into the United States of certain European displaced persons for permanent residence and for other purposes was announced as next in order.

Mr. McCLELLAN. Over.

The PRESIDENT pro tempore. The bill will be passed over.

AMENDMENT OF RECONSTRUCTION FINANCE CORPORATION ACT

The bill (S. 2287) to amend the Reconstruction Finance Corporation Act as amended and for other purposes was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

Mr. CAIN. Mr. President, a parliamentary inquiry.

The PRESIDENT pro tempore. The Senator will state it.

Mr. CAIN. With reference to Senate bill 2287, Calendar 1017, may I send to the desk an amendment and ask that it be printed and lie on the table?

The PRESIDENT pro tempore. Without objection, the Senator's amendment will be received, printed, and lie on the table.

JOINT RESOLUTION PASSED OVER

The clerk will state the next order of business on the calendar.

The joint resolution (S. J. Res. 154) authorizing the issuance of a special series of stamps commemorative of the one-hundredth anniversary of the poultry business in the United States was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The joint resolution will be passed over.

DAVE HOUARDY

The bill (H. R. 2214) for the relief of Dave Hougardy was considered, ordered to a third reading, read the third time, and passed.

ENSIGN MERTON H. PETERSON

The Senate proceeded to consider the bill (S. 1806) for the relief of Ensign Merton H. Peterson, United States Naval Reserve, which had been reported from the Committee on the Judiciary with an amendment on page 2, line 1, after the words "while on", to strike out "terminal", so as to make the bill read:

Be it enacted, etc., That the Secretary of the Treasury be, and he is hereby, authorized and directed to pay, out of any money in the Treasury not otherwise appropriated, the sum of \$197.43, to Ensign Merton H. Peterson, United States Naval Reserve, Sioux Falls, S. Dak., in full settlement of all claims against the United States for hospital and medical expenses incurred by him while hospitalized in Sioux Valley Hospital, Sioux Falls, S.

80TH CONGRESS
2D SESSION

H. R. 6096

IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 1948

Mr. JOHNSON of Illinois introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That for the purpose of assuring their operation for the
4 production of products from agricultural commodities in
5 order to provide a means of discharging the responsibility
6 of the Department of Agriculture in connection with surplus
7 agricultural commodities, research, and other authorized

1 activities, and to assist in providing an adequate supply of
2 alcohol and other products produced from agricultural com-
3 modities necessary for the national defense, (1) the Recon-
4 struction Finance Corporation, as successor to Defense Plant
5 Corporation, shall transfer, without regard to the provisions
6 of the Surplus Property Act of 1944 and without reimburse-
7 ment or transfer of funds, to the Secretary of Agriculture all
8 of its right, title, and interest in and to the alcohol plant
9 established and constructed by Defense Plant Corporation
10 at Muscatine, Iowa, the property, together with the equip-
11 ment, records, facilities, and other property appurtenant
12 thereto; and (2) the War Assets Administration shall trans-
13 fer to the Secretary of Agriculture without regard to the
14 provisions of the Surplus Property Act of 1944 and without
15 reimbursement or transfer of funds the alcohol plants at
16 Kansas City, Missouri, and Omaha, Nebraska, together with
17 the land, equipment, facilities, and other property appur-
18 tenant thereto.

19 SEC. 2. In carrying out the purposes of this Act the
20 Secretary is authorized, upon such terms and conditions as
21 he deems reasonable, and notwithstanding the provisions
22 of any other law—

23 (a) to provide for the operation of such plants by
24 lease or other arrangement;

25 (b) to operate such plants, where disposal to, or

1 operation by, others will not, in the judgment of the
2 Secretary, accomplish the purpose of this Act.

3 Such plants may be operated in the furtherance of any au-
4 thorized activities of the Department of Agriculture, and any
5 sale, lease, or other arrangement may be upon such terms
6 and conditions as to result in the plant being operated for
7 such purposes.

8 SEC. 3. Whenever the Secretary finds that the operation
9 of any plant or plants as provided in this Act is no longer
10 necessary or desirable, he shall report such fact to Congress
11 with his recommendations for the disposition thereof.

12 SEC. 4. For the purposes of this Act, the Secretary of
13 Agriculture is authorized (a) to construct and provide addi-
14 tional facilities and equipment necessary to the operation of
15 such plants, and to maintain, repair, and alter such plants;
16 (b) to acquire property or rights or interest therein by
17 purchase, lease, gift, transfer, condemnation, or otherwise;
18 (c) to incur necessary administrative expenses, including
19 personal services; and (d) to make such rules and regula-
20 tions as may be necessary to carry out the purposes of this
21 Act.

22 SEC. 5. The Secretary of Agriculture shall assume all
23 obligations of the Reconstruction Finance Corporation cover-
24 ing operations of the Muscatine, Iowa, plant, equipment,

1 facilities, and appurtenant property outstanding at the date
2 of transfer.

3 SEC. 6. There are hereby authorized to be appropriated
4 for the purposes of this Act such sums as the Congress may
5 from time to time determine to be necessary.

80TH CONGRESS
2d Session

H. R. 6096

A BILL

To provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

By Mr. JOHNSON of Illinois

APRIL 1, 1948

Referred to the Committee on Agriculture



DIGEST OF CONGRESSIONAL PROCEEDINGS

OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued May 18, 1948
For actions of May 17, 1948
80th-2nd, No. 88

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HIGHLIGHTS: Senate committee reported long-range farm program bill. House Rules Committee cleared bills to transfer alcohol plants to USDA and to provide for meat inspection at Federal expense. House committee approved measures to provide for control of cattle grubs, to change base parity period for Maryland tobacco, and to request USDA to prevent crop damage from 2,4-D. Senate debated public works items in Army appropriation bill.

SENATE

- FARM PROGRAM.** The Agriculture and Forestry Committee reported with amendment S. 2318, the Aiken long-range farm program bill, and Sen. Aiken discussed it (S. Rept. 1295)(pp. 6042-3).
Received the President's message recommending enactment of a long-range farm program, (see Digest 87): to Agriculture and Forestry Committee (p. 6042).
- PERSONNEL CEILINGS.** Received from the Budget Bureau a report on personnel ceilings for the quarter ended Mar. 31, 1948; to Post Office and Civil Service Committee (p. 6043).
- PRICE SUPPORTS.** Received a petition from various N. Dak. citizens demanding price supports on eggs (p. 6043).
- LABOR EXTENSION SERVICE.** The Labor and Public Welfare Committee reported with amendment S. 1390, providing for a labor extension service through the Labor Department (S. Rept. 1314)(p. 6044).
- LANDS.** The Interior and Insular Affairs Committee reported with amendments S. 1413, to authorize Minn. to condemn certain U. S. lands, including USDA lands, in Cass County for fish propagation (S. Rept. 1304)(p. 6044).
This Committee also reported without amendment H. R. 4513, to eliminate the requirement of oaths in certain land matters (S. Rept. 1309)(p. 6044).
- PERSONNEL.** Sens. Langer, Buck, and Chavez, were appointed Senate conferees on

H. R. 4236, to amend the Civil Service Act to remove certain discrimination with respect to appointment of physically handicapped (p. 6049). House conferees were appointed May 14.

7. HAWAII STATEHOOD. Sen. Knowland, Calif., spoke in favor of statehood for Hawaii and inserted newspaper articles on this subject (pp. 6049-50).
8. SURPLUS PROPERTY. In connection with the nomination of Jess Larson to be WAA Administrator, Sen. Thomas, Okla., inserted a biographical sketch of him and a list of surplus property approved by him for disposal (pp. 6051-2).
9. ARMY CIVIL FUNCTIONS APPROPRIATION BILL. Continued debate on this bill, H. R. 5224 (pp. 6055-75). The debate was on a motion by Sen. Reed, Kans., and others to require a reduction of at least \$200,000,000 in the items for the Corps of Engineers. Sen. Taft and others recommended reductions in public works general. There was discussion of the Engineers items in connection with food production, etc.
10. HAWAII STATEHOOD. Sen. Butler, Nebr., spoke against statehood for Hawaii "at this time" and inserted various letters and articles on the subject (pp. 6075-8).

HOUSE

11. MEAT INSPECTION. The Rules Committee reported a resolution for the consideration of S. 2256, to authorize meat inspection at Federal expense (p. 6087).
12. ALCOHOL PLANTS. The Rules Committee reported a resolution for the consideration of H.R. 6096, to provide for the transfer of Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for the production of products from agricultural commodities in the furtherance of authorized programs of the USDA (p. 6087).
13. CATTLE GRUBS. The Agriculture Committee voted to report (but did not actually report) H.R. 1043, to authorize additional research and investigation into problems relating to the eradication of cattle grubs, and the eradication of the grubs by USDA either independently or on a cooperative basis (p. D494).
14. WEED KILLER. The Agriculture Committee voted to report (but did not actually report) H.Res. 452, requesting the Secretary of Agriculture to take action to prevent damage to valuable crops as a result of the use of the weed killer, 2,4-D (p. D494).
15. TOBACCO. The Agriculture Committee voted to report (but did not actually report) H.R. 5111, changing the base period for the determination of parity for Maryland tobacco from August 1919 to July 1929 to the period from Jan. 1936 to Dec. 1945 (p. D494).
16. STATISTICS. The Rules Committee reported a resolution for consideration of H.R. 6208, to reschedule the censuses of manufacturers, business, and mineral industries on a 5-year basis, and provides for a transportation census every 5 years (p. 6087).
17. APPROPRIATIONS. H. Doc. 653 (see Digest 87) includes the following items: Agriculture Remount Service, \$510,000; forest roads and trails, \$10,000,000; school-lunch program, \$10,000,000 additional to be made available from Sec. 32 funds; Inter-American Coffee Board, decrease of \$1,749; international information and educational activities, State Department \$5,000,000; General Accounting Of-

CONSIDERATION OF H. R. 6096

MAY 17, 1948.—Referred to the House Calendar and ordered to be printed

MR. ALLEN of Illinois, from the Committee on Rules submitted the following

REPORT

[To accompany H. Res. 597]

The Committee on Rules, having had under consideration House Resolution 597, report the same to the House with the recommendation that the resolution do pass.



House Calendar No. 220

80TH CONGRESS
2D SESSION

H. RES. 597

[Report No. 1961]

IN THE HOUSE OF REPRESENTATIVES

MAY 17, 1948

Mr. ALLEN of Illinois, from the Committee on Rules, reported the following resolution; which was referred to the House Calendar and ordered to be printed

RESOLUTION

1 *Resolved*, That immediately upon the adoption of this
2 resolution it shall be in order to move that the House resolve
3 itself into the Committee of the Whole House on the State of
4 the Union for the consideration of the bill (H. R. 6096) to
5 provide for making available the Government-owned alcohol
6 plants at Muscatine, Iowa, Kansas City, Missouri, and
7 Omaha, Nebraska, for the production of products from agri-
8 cultural commodities in the furtherance of authorized pro-
9 grams of the Department of Agriculture, and for other pur-
10 poses. That after general debate, which shall be confined
11 to the bill and continue not to exceed one hour, to be equally
12 divided and controlled by the chairman and ranking minority

1 member of the Committee on Agriculture, the bill shall be
2 read for amendment under the five-minute rule. At the con-
3 clusion of the consideration of the bill for amendment, the
4 Committee shall rise and report the bill to the House with
5 such amendments as may have been adopted and the previous
6 question shall be considered as ordered on the bill and amend-
7 ments thereto to final passage without intervening motion
8 except one motion to recommit.

RESOLUTION

Providing for the consideration of the bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

By Mr. ALLEN of Illinois

MAY 17, 1948

Referred to the House Calendar and ordered to be printed

1559. A letter from the Director, Bureau of the Budget, transmitting a report of personnel ceilings for the quarter ending March 31, 1948; to the Committee on Post Office and Civil Service.

1560. A letter from the Chairman, Export-Import Bank of Washington, transmitting a report of a claim paid by the bank in the case of Nick Scales, Jr.; to the Committee on the Judiciary.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. ALLEN of ILLINOIS: Committee on Rules. House Resolution 350. Resolution to authorize and direct the Committee on the Judiciary to conduct an investigation of the action of the Department of State with respect to the claim of George B. Soto against the Government of Guatemala; without amendment (Rept. No. 1960). Referred to the House Calendar.

Mr. ALLEN of Illinois: Committee on Rules. House Resolution 597. Resolution providing for consideration of H. R. 6096, a bill to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes; without amendment (Rept. No. 1961). Referred to the House Calendar.

Mr. ALLEN of Illinois: Committee on Rules. House Resolution 598. Resolution providing for consideration of S. 2256, an act relating to the meat-inspection service of the Department of Agriculture; without amendment (Rept. No. 1962). Referred to the House Calendar.

Mr. ALLEN of Illinois: Committee on Rules. House Resolution 599. Resolution providing for consideration of H. R. 6208, a bill to provide for the collection and publication of statistical information by the Bureau of the Census; without amendment (Rept. No. 1963). Referred to the House Calendar.

Mr. DONDERO: Committee on Public Works. S. 2288. An act to amend the Latham Act so as to permit the sale of certain permanent war housing thereunder to veterans at a purchase price not in excess of the cost of construction; without amendment (Rept. No. 1964). Referred to the Committee of the Whole House on the State of the Union.

Mr. DONDERO: Committee on Public Works. H. R. 3907. A bill to authorize construction of buildings for the Bureau of Old-Age and Survivors Insurance; without amendment (Rept. No. 1965). Referred to the Committee of the Whole House on the State of the Union.

Mr. DONDERO: Committee on Public Works. H. R. 6127. A bill to authorize the allocation of funds to Grant County, Ind., for payment of one-half the cost of a certain bridge across the Mississinewa River in Grant County, Ind., and for other purposes; with

amendments (Rept. No. 1966). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. BLAND:

H. R. 6587. A bill to promote effectual utilization of the fishery resources of the United States; to the Committee on Merchant Marine and Fisheries.

By Mr. MANSFIELD:

H. R. 6588. A bill to authorize payments to public-school district or districts serving the Hungry Horse Dam, Mont., area; to the Committee on Public Lands.

By Mrs. ROGERJ of Massachusetts:

H. R. 6589. A bill to authorize the interment in adjoining graves in national cemeteries of certain parents and their children; to the Committee on Public Lands.

By Mr. BENNETT of Missouri:

H. J. Res. 404. Joint resolution authorizing the erection in the District of Columbia of a statue of Simon Bolivar; to the Committee on House Administration.

By Mr. CHIPERFIELD:

H. Con. Res. 202. Concurrent resolution to express the sense of the Congress with respect to the methods by which international security and world peace may be attained through the United Nations; to the Committee on Foreign Affairs.

By Mr. WOLVERTON:

H. Res. 600. Resolution to provide for the expenses of carrying out House Resolution 595; to the Committee on House Administration.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. DAVIS of Georgia:

H. R. 6590. A bill for the relief of Isom Puckett; to the Committee on the Judiciary.

By Mr. SHEPPARD:

H. R. 6591. A bill for the relief of Zdzislaw Seidl and Mrs. Margit Seidl; to the Committee on the Judiciary.

PETITIONS, ETC.

Under clause 1 of rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

1939. By Mr. WELCH: Resolution No. 7444, passed by the Board of Supervisors of the City and County of San Francisco, urging Hon. Jesse M. Donaldson, Postmaster General of the United States, to give consideration to the issuance of a special postage stamp sometime during the California centennial of 1948, 1949, and 1950 appropriately to commemorate the 21 missions of California; to the Committee on Post Office and Civil Service.

1940. Also, Resolution No. 7445, passed by the Board of Supervisors of the City and

County of San Francisco, urging the Senate of the United States to take early and favorable action with respect to H. R. 49 to the end that the Territory of Hawaii may be admitted to the Union as the forty-ninth State; to the Committee on Public Lands.

1941. Also, Resolution No. 7424, passed by the Board of Supervisors of the City and County of San Francisco, giving full endorsement to, and memorializing the Congress of the United States to give early passage to H. R. 5004; to the Committee on the Judiciary.

1942. By the SPEAKER: Petition of the African Methodist Episcopal Church, petitioning consideration of their resolution with reference to endorsement of the President's civil-rights program; to the Committee on the Judiciary.

1943. Also, petition of Edmund C. Fletcher, petitioning consideration of his resolution with reference to impeachment of the Honorable Sterling Hutcheson, judge of the District Court of the United States for the Eastern District of Virginia, for gross misbehavior in office; to the Committee on the Judiciary.

1944. Also, petition of Milton Grunberg and others, petitioning consideration of their resolution with reference to defeat of the Mundt-Nixon bill; to the Committee on Un-American Activities.

1945. Also, petition of Maurice Goldberg and others, petitioning consideration of their resolution with reference to defeat of legislation titled "The Subversive Activities Control Act"; to the Committee on Un-American Activities.

1946. Also, petition of A. S. Dannenauny and others, petitioning consideration of their resolution with reference to defeat of legislation titled "The Subversive Activities Control Act"; to the Committee on Un-American Activities.

1947. Also, petition of F. Hollander and others, petitioning consideration of their resolution with reference to defeat of legislation titled "The Subversive Activities Control Act"; to the Committee on Un-American Activities.

1948. Also, petition of Olga Blattman and others, petitioning consideration of their resolution with reference to defeat of legislation titled "The Subversive Activities Control Act"; to the Committee on Un-American Activities.

1949. Also, petition of J. Gayron and others, petitioning consideration of their resolution with reference to defeat of legislation titled "The Subversive Activities Control Act"; to the Committee on Un-American Activities.

1950. Also, petition of Rose Ridman and others, petitioning consideration of their resolution with reference to defeat of legislation titled "The Subversive Activities Control Act"; to the Committee on Un-American Activities.

1951. By Mr. EATON: Joint resolution of Mr. Hess, New Jersey State legislator, memorializing the Congress of the United States to adopt legislation which will retain unto the States control over service, operations, and rates of any railroad which has been reorganized under the Bankruptcy Act; to the Committee on the Judiciary.

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued May 27, 1948
For actions of May 26, 1948
80th-2nd, No. 95

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HIGHLIGHTS: House passed bills to continue trade-agreements program for 1 year with amendments; to transfer alcohol plants to USDA; and to continue certain allocation and import-export control powers. Rep. Dirksen asked for conference on agricultural appropriation bill but withdrew request when Rep. Cannon moved to instruct conferees to agree to ACP amendment. House committee reported Interior appropriation bill. Senate committees reported revised property-management bill and bill to continue certain allocation and import-export controls. Sen. Wherry discussed his protest to to USDA on export of wool and meat scraps from Mexico in view of foot-and-mouth disease there.

HOUSE

1. INTERIOR DEPARTMENT APPROPRIATION BILL. The Appropriations Committee reported this bill, H. R. 6705 (H. Rept. 2038) (p. 6658). The bill includes items for soil and moisture conservation on Interior lands, Board of Geographic Names, Bureau of Reclamation, Bonneville Power Administration, Southwestern Power Administration, Bureau of Land Management, Bureau of Indian Affairs, National Park Service, Fish and Wildlife Service, Government in the territories, etc. It provides a total of \$375,677,591, which is less than the 1949 estimates by \$84,293,244 but more than the 1948 appropriations by \$112,876,532.

Excerpts from the committee report:

Indian services. "In many instances, the committee is convinced that the functions which the Bureau of Indian Affairs is attempting to carry out are overlapping and in some cases in conflict with programs and functions authorized by law to be performed by other bureaus and departments of Government. These overlapping activities are particularly to be noted in the field of agriculture. In many instances, the Extension Service, soil-conservation work, farm agents, and others in the localities are ready, willing, and able to render the same type of service and extend their operations to the Indians in that area, that they are extending to other citizens. In such cases, the committee believes that generally there is no need for a separate representative of the Bureau of Indian Affairs to deal with the Indians solely. In other instances, in the matter of forest

development, protection, and operations, the committee does not believe that there is any necessity for a continued operation of this function and the handling of it separately by the representatives of the Bureau of Indian Affairs, but that these activities can well be performed by, and should be under the supervision of, the National Forest Service."

Reclamation. "The committee desires to reemphasize its statement in former reports on the bill, that the reclaiming of arid lands by the construction of reclamation projects is and always has been the primary purpose of the reclamation laws. Development of hydroelectric power is incidental to irrigation and is made as a means of financially aiding and assisting such undertakings. This policy should not be departed from without specific legislation by the Congress."

Grazing service. "While it is the intention of the committee that a moderate reduction be made in the proposed increase for grazing administration, the committee wishes to go on record as being in general harmony with the program for financing this activity as set forth in the formula proposed by the Bureau of Agriculture Economics as a result of its survey of the Grazing Service and as set forth in the justification submitted by the Bureau of Land Management. It is the opinion of the committee that the formula set forth therein is sound and reasonable and the committee feels that funds should be allocated for this work in an amount approaching the figure proposed in the budget estimate."

2. TRADE AGREEMENTS. Passed, 234-149, without amendment H. R. 6556 (pp. 6657-703). This bill continues the reciprocal trade agreements program until June 30, 1949, but provides for a study by the Tariff Commission of each item to be considered in connection with such an agreement and requires that, if the rates in the tentative agreement are not within the findings of the Commission, the President may not proclaim the new rates until Congress has had a 60-day opportunity to object by concurrent resolution. Before the bill was considered, the resolution providing for its consideration was agreed to by a 197-166 vote, after the vote on the resolution had been ordered by a 212-156 vote (pp. 6663-4). Just before passage of the bill, rejected, 168-211, a motion by Rep. Doughton, N. C., to recommit the bill with instructions that the Ways and Means Committee report it back with a provision for continuing the present program for 3 years without change (p. 6702).
3. ALLOCATIONS; FOREIGN TRADE. Passed without amendment H. R. 6659, which continues through February 1949 the import controls over fats and oils, rice and its products, nitrogenous fertilizer, and pig tin; and priorities power under certain conditions where prompt export of materials is in the national interest (p. 6657).
4. ALCOHOL PLANTS. Passed with amendments H. R. 6096, to transfer to this Department the alcohol plants at Muscatine, Kansas City, and Omaha (pp. 6713-4). In addition to the committee amendments, agreed to an amendment by Rep. Hope to permit the use of other USDA funds for expenses necessary in connection with maintaining the plants in stand-by condition while not under lease.
5. AGRICULTURAL APPROPRIATION BILL. Rep. Dirksen asked that the House disagree to the Senate amendments to this bill, H. R. 5883, and ask for a conference. Rep.

Mr. POULSON. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and to include therein letters from the Attorney General, the Secretary of the Interior, and documents; and I ask that I may include these matters even though they should exceed the limit fixed by the Joint Committee on Printing.

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

[The matter referred to appears in the Appendix.]

Mr. LEA asked and was given permission to extend his remarks in the Appendix of the RECORD.

Mr. HOPE asked and was given permission to extend his remarks in the Appendix of the RECORD and include certain newspaper excerpts.

Mr. KEFAUVER (at the request of Mr. HARLESS of Arizona) was given permission to extend his remarks in the Appendix of the RECORD.

Mr. WOLVERTON asked and was given permission to extend his remarks in the Appendix of the RECORD on the subject of railroad retirement pensions.

SPECIAL ORDER GRANTED

Mr. BUCHANAN. Mr. Speaker, I ask unanimous consent that I may address the House for 30 minutes today following the other special orders heretofore entered for today.

The SPEAKER. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

CORRECTION OF ROLL CALL

Mr. FULTON. Mr. Speaker, on roll call No. 70, a quorum call on last Thursday, I was recorded as absent. As a matter of fact I was on the floor and spoke that afternoon and answered "present" to my name. I ask unanimous consent that the Journal and RECORD may be corrected accordingly.

The SPEAKER. Without objection, the Journal and RECORD will be corrected accordingly.

There was no objection.

COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that the Committee on Merchant Marine and Fisheries may have until midnight tonight to file a report on House Joint Resolutions 412 and 413.

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

HOOR OF MEETING TOMORROW

Mr. HALLECK. Mr. Speaker, I ask unanimous consent that when the House adjourns today it adjourn to meet at 11 o'clock tomorrow?

The SPEAKER. Is there objection to the request of the gentleman from Indiana?

There was no objection.

DISTRICT OF COLUMBIA ARMORY BOARD

Mr. ALLEN of California. Mr. Speaker, I ask unanimous consent to take from

the Speaker's desk the bill (H. R. 5874) to establish a District of Columbia Armory Board, and for other purposes, with Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Page 2, lines 4 and 5, strike out "and the Architect of the Capitol." and insert "and a third person not employed by the Federal or District Governments who shall be appointed by the Chairman of the District of Columbia Committees of the United States Senate and the United States House of Representatives for a term of 3 years."

The SPEAKER. Is there objection to the request of the gentleman from California?

There was no objection.

The Senate amendment was concurred in.

A motion to consider was laid on the table.

DEPARTMENT OF THE INTERIOR APPROPRIATION BILL, 1949

Mr. ALLEN of Illinois, from the Committee on Rules, reported the following privileged resolution (H. Res. 615, Rept. No. 2052), which was referred to the House Calendar and ordered to be printed:

Resolved, That during the consideration of the bill (H. R. 6705) making appropriations for the Department of the Interior for the fiscal year ending June 30, 1949, and for other purposes, all points of order against the bill or any provisions contained therein are hereby waived.

GOVERNMENT-OWNED ALCOHOL PLANTS AT MUSCATINE, IOWA, KANSAS CITY, MO., AND OMAHA, NEBR.

Mr. ALLEN of Illinois. Mr. Speaker, I call up House Resolution 597 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 1 hour, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. ALLEN of Illinois. Mr. Speaker, I yield myself such time as I may require.

Mr. Speaker, this resolution provides consideration for H. R. 6096, a bill making certain Government-owned alcohol plants available to the Department of Agriculture. The plants concerned are

located at Muscatine, Iowa; Kansas City, Mo.; and Omaha, Nebr.

These plants, which manufacture alcohol from grain and other agricultural products, were built by the Government during the war, and they played an important part in providing industrial alcohol for synthetic rubber and for other essential war uses. The War Production Board continued to operate the plants until 1946, when they were turned over to the Department of Agriculture, which operated the plants until the middle of last year. In March 1947, however, the Department of Agriculture notified the Reconstruction Finance Corporation that it had no objection to the termination of the alcohol-feed leases of the two largest plants—at Kansas City and Omaha. And in July 1947, both plants were formally declared surplus. The War Assets Administration received bids on the plants. But while negotiations for sale were in progress, the Committee on Agriculture asked that disposal of the plants be deferred until June 30, 1948.

Last January, the Secretary submitted a bill to authorize the transfer of the plant at Muscatine, Iowa, to the Department of Agriculture. He did not ask to have the two larger plants retained—but the Committee on Agriculture thought the best interests of the country could be served by retaining Government ownership of all three of the plants—and the committee reported this bill for that purpose.

This is a simple rule, which merely provides consideration of, and 1 hour of debate on the bill. In view of the present unsettled world conditions, the Rules Committee thought this bill was of sufficient urgency to warrant immediate consideration. Unless the bill is acted upon by June 30, the plants will be sold as surplus. Therefore, it is important that we adopt this resolution, and proceed to the immediate consideration of the bill.

Mr. Speaker, I yield 30 minutes to the gentleman from Massachusetts [Mr. McCormack].

Mr. McCormack. We have no requests for time, Mr. Speaker.

Mr. ALLEN of Illinois. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

Mr. HOPE. Mr. Speaker, I ask unanimous consent that the bill (H. R. 6096) be considered in the House as in the Committee of the Whole.

The SPEAKER. Is there objection to the request of the gentleman from Kansas?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That for the purpose of assuring their operation for the production of products from agriculture commodities in order to provide a means of discharging the responsibility of the Department of Agriculture in connection with surplus agricultural commodities, research, and other authorized activities, and to assist in providing an adequate supply of alcohol and other products produced from agricultural commodities necessary for the national defense, (1) the Reconstruction Finance Corporation, as successor to Defense Plant Corporation, shall

transfer, without regard to the provisions of the Surplus Property Act of 1944 and without reimbursement or transfer of funds, to the Secretary of Agriculture all of its right, title, and interest in and to the alcohol plant established and constructed by Defense Plant Corporation at Muscatine, Iowa, the property, together with the equipment, records, facilities, and other property appurtenant thereto; and (2) the War Assets Administration shall transfer to the Secretary of Agriculture without regard to the provisions of the Surplus Property Act of 1944 and without reimbursement or transfer of funds the alcohol plants at Kansas City, Mo., and Omaha, Nebr., together with the land, equipment, facilities, and other property appurtenant thereto.

Sec. 2. In carrying out the purposes of this act the Secretary is authorized, upon such terms and conditions as he deems reasonable, and notwithstanding the provisions of any other law—

(a) to provide for the operation of such plants by lease or other arrangement;

(b) to operate such plants, where disposal to, or operation by, others will not, in the judgment of the Secretary, accomplish the purpose of this act.

Such plants may be operated in the furtherance of any authorized activities of the Department of Agriculture, and any sale, lease, or other arrangement may be upon such terms and conditions as to result in the plant being operated for such purposes.

Sec. 3. Whenever the Secretary finds that the operation of any plant or plants as provided in this act is no longer necessary or desirable, he shall report such fact to Congress with his recommendations for the disposition thereof.

Sec. 4. For the purposes of this act, the Secretary of Agriculture is authorized (a) to construct and provide additional facilities and equipment necessary to the operation of such plants, and to maintain, repair, and alter such plants; (b) to acquire property or rights or interest therein by purchase, lease, gift, transfer, condemnation, or otherwise; (c) to incur necessary administrative expenses, including personal services; and (d) to make such rules and regulations as may be necessary to carry out the purposes of this act.

Sec. 5. The Secretary of Agriculture shall assume all obligations of the Reconstruction Finance Corporation covering operations of the Muscatine, Iowa, plant, equipment, facilities, and appurtenant property outstanding at the date of transfer.

Sec. 6. There are hereby authorized to be appropriated for the purposes of this act such sums as the Congress may from time to time determine to be necessary.

With the following committee amendments:

Page 3, line 1, strike out "disposal to, or."
Page 3, line 2, after the word "by", strike out the comma.

Page 3, line 6, strike out the word "sale."

The committee amendments were agreed to.

Mr. JOHNSON of Illinois. Mr. Speaker, I move to strike out the last word.

Mr. Speaker, this is a subject that I have followed since before the war and I am well informed on it. I am sure that by reading a brief statement it will cover the subject matter. However, I shall be glad to answer any questions any Member desires to ask.

The three alcohol plants are the result of a congressional objective to provide the United States with, first, a strategic material for the manufacture of synthetic rubber, munitions; and supplemental fuels; second, facilities to use surplus or deteriorating agricultural com-

modities by converting them into storable materials and feeds; and third, demonstration and research units to ultimately expand the industrial use of farm products and to show that a farm program based on expanded economic use is much better than an acreage reduction or scarcity program.

These objectives are set out in various documents including the report of Bernard Baruch to the President of the United States (1942), Senate Document No. 240, Seventy-eighth Congress, Second session, Senate Document No. 167, Seventy-ninth Congress, United States Department of Agriculture Miscellaneous Publication 327, and many others. All of the objectives which were involved in the authorization for construction of these plants are valid today—even more so for it was thought then when peace arrived, there would be little for these plants to do except to be available for handling agricultural surpluses and perishables. Now that World War II is history and we try to look into the future, we find the possibility of more international entanglements, shortages of fuels—of rubber—of alcohol for synthetic rubber and munitions plus the certainty that if war comes again, agriculture will have to step into the supply of these materials, just as now it is the No. 1 industry in providing foods to make the peoples of the world peace minded.

Yet only a few weeks ago two of these plants were about to be disposed of through the War Assets Administration and at least two of the bids offered contemplated the dismantling and junking of these plants allocation. The House Committee on Agriculture on January 16, 1948, requested that these bids be rejected and that no sale of these plants be made until after June 30, 1948. At that time the committee made inquiry of the Munitions Board concerning the interest of this board in these plants and asked if perchance it might want to exercise the so-called national-security clause which creates in all sales made by WAA in which this right is claimed, a dormant estate for the Government which would require the purchaser to maintain the plant for 20 years so that production of goods as produced for the war could be resumed in 120 days. The Board advised the committee it had no such interest, although recently it notified the RFC and the WAA that it was exercising the national-security clause provision. Thus, the Munitions Board now merely approves the action taken by the House Agriculture Committee unanimously and strengthens the reasons why the committee thought all three plants should be maintained in the Government.

Mr. CURTIS. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of Illinois. I yield to the gentleman from Nebraska.

Mr. CURTIS. As one who has been intensely interested in this entire program throughout the years, may I say that I think the measure should pass. I believe it is a wise move, and I am in favor of it.

Mr. MARTIN of Iowa. Mr. Speaker, will the gentleman yield?

Mr. JOHNSON of Illinois. I yield to the gentleman from Iowa.

Mr. MARTIN of Iowa. I wish to commend the gentleman from Illinois [Mr. JOHNSON] on his watchfulness on this important measure, and the good work of the Committee on Agriculture in taking the action contemplated in this proposed legislation, particularly in the interest of national defense.

Mr. JOHNSON of Illinois. I thank the gentleman.

Mr. Speaker, just today the Committee on Armed Services in the other body reported out a bill entitled, "To promote the common defense by providing for the retention and maintenance of a national reserve of industrial productive capacity, and for other purposes." That is right along the lines of this bill. I have heard no objection from any source, and there just has not been any objection, so I shall not take further time now. This bill is well merited.

Mr. HOPE. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. HOPE: On page 4, line 5, after the period add the following: "Also, the Secretary is authorized to use sums from other appropriations or funds available to the bureaus, corporations, or agencies of the Department of Agriculture as he may deem necessary for expenses in connection with maintaining these plants in stand-by condition while not under lease."

The amendment was agreed to.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

SPECIAL ORDER

The SPEAKER. Under previous order of the House, the gentleman from Louisiana [Mr. BROOKS] is recognized for 30 minutes.

FLOOD CONTROL

Mr. BROOKS. Mr. Speaker, I am here by the command of a voice now stilled. Senator John Holmes Overton came to Washington in 1932 to represent the Eighth Congressional District of Louisiana in the House of Representatives and a year later he came to Washington to represent in the Senate the entire State of Louisiana. He slipped out of this life into the Great Beyond in the early hours of Friday morning, May 14, following an operation at the Naval Medical Center at Bethesda, Md.

Senator Overton was my uncle. I knew him as a father. I saw him at work and at play, with his family and in public. I knew his secret hopes and his ambitions and I felt the vibrant enthusiasm of the joy of his successes. I was with him in the last hours of his life as he lay stricken in the hospital. I saw and talked to him immediately before the operation which was to lead to his death. I was the last person who talked business with him prior to his death. I know of his deep and fervent interest in flood control and river and harbor development which he maintained, with an unchecked zeal, even unto the hour of his death.

Senator Overton lived a vigorous, dynamic life and literally died, as he would have had it, with his boots on. There

80TH CONGRESS
2D SESSION

H. R. 6096

IN THE SENATE OF THE UNITED STATES

MAY 27 (legislative day, MAY 20), 1948

Read twice and referred to the Committee on Agriculture and Forestry

AN ACT

To provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That for the purpose of assuring their operation for the
4 production of products from agricultural commodities in
5 order to provide a means of discharging the responsibility
6 of the Department of Agriculture in connection with surplus
7 agricultural commodities, research, and other authorized

1 activities, and to assist in providing an adequate supply of
2 alcohol and other products produced from agricultural com-
3 modities necessary for the national defense, (1) the Recon-
4 struction Finance Corporation, as successor to Defense Plant
5 Corporation, shall transfer, without regard to the provisions
6 of the Surplus Property Act of 1944 and without reimburse-
7 ment or transfer of funds, to the Secretary of Agriculture all
8 of its right, title, and interest in and to the alcohol plant
9 established and constructed by Defense Plant Corporation
10 at Muscatine, Iowa, the property, together with the equip-
11 ment, records, facilities, and other property appurtenant
12 thereto; and (2) the War Assets Administration shall trans-
13 fer to the Secretary of Agriculture without regard to the
14 provisions of the Surplus Property Act of 1944 and without
15 reimbursement or transfer of funds the alcohol plants at
16 Kansas City, Missouri, and Omaha, Nebraska, together with
17 the land, equipment, facilities, and other property appur-
18 tenant thereto.

19 SEC. 2. In carrying out the purposes of this Act the
20 Secretary is authorized, upon such terms and conditions as
21 he deems reasonable, and notwithstanding the provisions
22 of any other law—

23 (a) to provide for the operation of such plants by
24 lease or other arrangement;

(b) to operate such plants, where operation by others will not, in the judgment of the Secretary, accomplish the purpose of this Act.

Such plants may be operated in the furtherance of any authorized activities of the Department of Agriculture, and any lease, or other arrangement may be upon such terms and conditions as to result in the plant being operated for such purposes.

SEC. 3. Whenever the Secretary finds that the operation of any plant or plants as provided in this Act is no longer necessary or desirable, he shall report such fact to Congress with his recommendations for the disposition thereof.

SEC. 4. For the purposes of this Act, the Secretary of Agriculture is authorized (a) to construct and provide additional facilities and equipment necessary to the operation of such plants, and to maintain, repair, and alter such plants; (b) to acquire property or rights or interest therein by purchase, lease, gift, transfer, condemnation, or otherwise; (c) to incur necessary administrative expenses, including personal services; and (d) to make such rules and regulations as may be necessary to carry out the purposes of this Act.

SEC. 5. The Secretary of Agriculture shall assume all obligations of the Reconstruction Finance Corporation cover-

1 ing operations of the Muscatine, Iowa, plant, equipment,
2 facilities, and appurtenant property outstanding at the date
3 of transfer.

4 SEC. 6. There are hereby authorized to be appropriated
5 for the purposes of this Act such sums as the Congress may
6 from time to time determine to be necessary. Also, the
7 Secretary is authorized to use such sums from other appro-
8 priations or funds available to the bureaus, corporations, or
9 agencies of the Department of Agriculture as he may deem
10 necessary for expenses in connection with maintaining these
11 plants in standby condition while not under lease.

Passed the House of Representatives May 26, 1948.

Attest:

JOHN ANDREWS,

Clerk.

AN ACT

To provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

MAY 27 (legislative day, MAY 20), 1948

Read twice and referred to the Committee on
Agriculture and Forestry

DIGEST OF
CONGRESSIONAL PROCEEDINGS
OF INTEREST TO THE DEPARTMENT OF AGRICULTURE

OFFICE OF BUDGET AND FINANCE
Division of Legislative Reports
(For Department staff only)

Issued June 2, 1948
For actions of June 1, 1948
80th-2nd, No. 95

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HIGHLIGHTS: Senate passed bill authorizing payments in lieu of taxes on forest lands on value basis. Senate committee reported bill to repeal oleo taxes. Both Houses agreed to conference report on State, Justice, Commerce, Judiciary appropriation bill. Rep. Pace urged continuation of price supports, ACP, and CCC. Sen. Baldwin introduced bill to create Government cafeterias corporation.

SENATE

1. OLEOMARGARINE TAXES. The Finance Committee reported with amendments H. R. 2245, to repeal these taxes (S. Rept. 1437) (p. 6929).
2. TARIFF. Passed without amendment H. R. 5553, to extend to July 1, 1949, duty-free entry of 9 to 15 inch newsprint (p. 6943). This bill will now be sent to the President.
3. FOREST LANDS. Passed with amendments S. 582, authorizing annual payments to States, territories, and insular governments, for benefit of their local political subdivisions, based on fair value of national-forest lands situated therein (pp. 6943-5). The committee amendments provided for evaluation of forest lands by the Department once every 10 years, and provided for payment of 1% of value in lieu of taxes and in lieu of the present payment of 25% of receipts. Another committee amendment, permitting States and counties to appeal to the district courts if they believe the Department's valuation is wrong, was agreed to in a modified form, recommended by Sen. Cordon, to strike out the authorizations for counties to make such appeals.
Passed as reported S. 1243, which provides for payment of revenues from certain lands, including part of the Mt. Hood National Forest, into the tribal funds of the Confederated Tribes of the Warm Springs Reservation, Oreg. (p. 6951).
4. HAWAIIAN LANDS. Passed without amendment H. R. 3680, to amend the Hawaiian Homes Commission Act so as to permit mercantile establishments in agricultural

- districts, increase from \$3,000 to \$5,000 the maximum loans allowable to any lessee of a tract of agricultural or pastoral land, etc. (p. 6957). This bill will now be sent to the President.
5. RECLAMATION. Passed without amendment H. R. 4954, to authorize the Kennewick Division of the Yakima project, Wash. (pp. 6957-8).
 6. STATE, JUSTICE, COMMERCE, JUDICIARY APPROPRIATION BILL. Both Houses agreed to the conference report on this bill, H. R. 5607, and acted on amendments in disagreement (pp. 6993-4, 7009-18). This bill will now be sent to the President. (For conferees' actions, see Digest 97.)
 7. DISPLACED PERSONS. Continued debate on S. 2242, to provide for admission into the U. S. of such persons (pp. 6973-95).
 8. NOMINATION of Wayne C. Grover to be Archivist of the U. S. was reported favorably from the Post Office and Civil Service Committee (p. 6995).
 9. NATIONAL FOREST. Passed without amendment S. 2617, to include certain lands in the Carson National Forest, N. Mex. (p. 6965).
 10. RECLAMATION. Passed without amendment H.R. 4954, to authorize the construction, operation, and maintenance, under Federal reclamation laws, of the Kennewick division of the Yakima project, Wash. (pp. 6957-8). This bill will now be sent to the President.
 11. PERSONNEL. The Daily Digest states that the Post Office and Civil Service Committee approved for reporting (but did not actually report) the following bills: S. 784, to provide maternity leave for Government employees; S. 2517, to amend the Civil Service Retirement Act relating to annual leave accrued at death; and "voted to approve a measure which Senator Baldwin said he proposed to introduce to establish a Government corporation to take over operations of Government Services, Inc." (p. D566).
 12. FEDERAL AID HIGHWAYS. The Daily Digest states that the Public Lands Subcommittee on Roads...agreed to report to the full committee H.R. 5888, Federal aid to highways" (p. D566).
 13. The following bills were passed over:
 - S. 669, to provide for bonus of 30¢ per bushel for wheat and corn produced and sold between Jan. 1, 1945 and Apr. 18, 1946. (p. 6934).
 - S. 299, to extend the reclamation laws to Ark. (p. 6934).
 - S. 493, to provide for the coordination of agencies disseminating technological and scientific information. (p. 6934).
 - S. 430, to amend the Civil Service Retirement Act to include employees of farm loan associations and production credit associations (p. 6935).
 - H.R. 3834, to authorize the Fort Sumner irrigation district (N.Mex.) rehabilitation project. (p. 6935).
 - S. 2141, to transfer government-owned alcohol plants to USDA. (p. 6936).
 - H.R. 3538, to authorize USDA to investigate and report on projects for reclaiming lands by drainage. (p. 6936).
 - S. 2173, to amend the AAAct relating to marketing agreements and orders. (p. 6936).
 - S. 1537, to provide salary increases for Federal employees. (p. 6936).
 - H.R. 5275, to provide for free importation of limestone for fertilizer (pp. 6937, 6960, 6965-6).
 - S. 2318, the Aiken long-range farm program bill (p. 6945).
 - S.J.Res. 162, to rescind certain orders of Interior Department establishing Indian reservations in Alaska (p. 6946-9).

administration of a program to make the discoveries of engineers, inventors, scientists, and technicians more readily available to American industry and business, and for other purposes.

Mr. SALTONSTALL. Mr. President, I should like to have an explanation of the bill in view of the establishment of the so-called Hoover Commission, which is working on the whole general subject.

Mr. FERGUSON. Let the bill go over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 84) to amend the Nationality Act of 1940, as amended, was announced as next in order.

Mr. RUSSELL. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The resolution (S. Res. 150) to discharge the Committee on the Judiciary from the further consideration of Senate Resolution 116 was announced as next in order.

Mr. RUSSELL. Over.

The PRESIDENT pro tempore. The resolution will be passed over.

The bill (H. R. 3051) to amend the act of July 19, 1940, and to amend section 2 and repeal the profit-limitation and certain other limiting provisions of the act of March 27, 1934, was announced as next in order.

Mr. LUCAS. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 430) to amend the Civil Service Retirement Act, approved May 29, 1930, as amended, so as to make such act applicable to officers and employees of national farm-loan associations and production credit associations was announced as next in order.

Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 3978) to provide for the temporary advancement in ranks and increase in salary of lieutenants in the Metropolitan Police force of the District of Columbia, serving as supervisors of certain squads, was announced as next in order.

Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1663) to prohibit the payment of retirement annuities to former Members of Congress convicted of offenses involving the improper use of authority, influence, power, or privileges as Members of Congress was announced as next in order.

Mr. WHERRY. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 968) to authorize the Public Utilities Commission of the District of Columbia to limit the number of taxicabs licensed in the District of Columbia was announced as next in order.

Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 4042) to control the export to foreign countries of gasoline and petroleum products from the United States was announced as next in order.

Mr. TAFT. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1653) to control the export to foreign countries of gasoline and petroleum products from the United States was announced as next in order.

Mr. TAFT. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1015) to amend section 7 of the act of June 25, 1910, as amended, to reduce the interest rate on postal-savings deposits to 1 percent per annum was announced as next in order.

Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

FORT SUMNER IRRIGATION DISTRICT,
NEW MEXICO

The bill (H. R. 3834) to authorize a project for the rehabilitation of certain works of the Fort Sumner Irrigation district in New Mexico, and for other purposes, was announced as next in order.

Mr. CONNALLY and Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

Mr. HATCH. Mr. President, may I ask to be recognized to make an explanation of the bill?

Mr. WHERRY. The Senator who objects is not now in the Chamber. I have no further request to make.

Mr. CONNALLY. I object.

The ACTING PRESIDENT pro tempore. Objection is heard.

Mr. HATCH. Mr. President, I desire to be recognized.

The ACTING PRESIDENT pro tempore. The Senator from New Mexico is recognized for 5 minutes.

Mr. HATCH. I think I have 5 minutes under the rule. I merely wish to refer to House bill 3834, Calendar 802, a bill providing for the rehabilitation of an irrigation and reclamation project in the State of New Mexico. It is a measure which has received the unanimous approval of the committee in both House and Senate. It is a House bill which already passed the House. It involves the waters of the Pecos River. According to all engineering reports from Texas and New Mexico, the passage of this measure cannot in any way affect or injure a project in the State of Texas. The failure to pass it at this session can well destroy the project, which is a valuable asset to our State, and in some respects to the Nation.

It is impossible to pass the bill at this time because of the objection of a single Senator, which is in accordance with the rules of the Senate. However, the bill is of such great importance that I shall, I hope, before the session is over, obtain consideration of the measure, either directly by motion, or if that is not possible, by amendment to some other bill, at which time the question can be fully debated.

Let me say in all justice and fairness to the Senator from Texas [Mr. CONNALLY] that I am making this statement publicly in order that he may not be surprised when, if an opportunity arises, the measure is attached to another bill. I shall endeavor to use every parliamentary device possible.

Mr. CONNALLY. Mr. President, this is a bill to which my State strenuously

objects. In the first place, this is not at present a Government reclamation project. It was a private project which failed, and we think the effort now is to have the Government come in to bail it out. Instead of paying back the funds in 40 years, as is the case with all other reclamation districts, the bill provides that there shall be a period of 70 years in which to make repayments. The Bureau of the Budget has advised against the bill. I have the report before me.

This project is on the Pecos River, which is an interstate stream which flows into Texas. Our view is that New Mexico, in appropriating the waters above Texas, deprives us of our fair share of the waters of the Pecos River. We have undertaken to get an interstate compact on this stream. Twice negotiators agreed on a compact, and twice New Mexico—once through its legislature and once through its Governor—refused the compact. The compact commissioners are now in session at Santa Fe, I understand, in the hope of reaching an agreement in favor of a compact. We want the compact in order to determine the fair share of the waters of the Pecos River for the State of Texas. After the compact shall have been concluded, the matter will take new shape. At present we are forced to object to the bill.

So far as concerns the statement of the Senator from New Mexico that he expects to attach the measure to some other bill, I can only say that if I have the opportunity I shall resist such an effort to tie this measure on as a rider to some other bill. It should stand on its own merits.

Mr. President, I am forced to object to the present consideration of the bill. I shall try to make my views known to Senators. If New Mexico can appropriate at its will the waters of the Pecos River before they reach Texas, we shall never get our fair share of the water. That is what is happening now. By legislation it is sought to appropriate these waters without any compact, without any regard to the necessities of Texas, and without any regard to a fair division of the water between the two States.

We have no animus against New Mexico, but we feel that she ought to cooperate and agree to a compact to see that these waters are fairly divided between the two States. I see no reason by the Federal Government should come to the rescue of a private project which is not an authorized reclamation project, and which has already failed. Such a course would entail an indebtedness which would require 70 years to repay, if it were ever repaid.

The ACTING PRESIDENT pro tempore. Objection is heard.

Mr. HATCH subsequently said: Mr. President, I shall not take 5 minutes on each bill as it is called, but I must say one word in reply to what the Senator from Texas has said. This project has not failed. The bill would not appropriate waters. The waters of the Fort Sumner irrigation district are established by prior appropriation and by rights already determined by the courts. There is nothing whatever in the contention that we

are seeking to appropriate a drop of water which belongs to anyone else. We are merely trying to conserve what little we have.

As to the compact, we are trying our best to reach an agreement; and if Texas would cooperate with us and enter into a compact and agree to the passage of this bill, we would be glad to do so; but we strenuously object to the use of the legislative powers of the Federal Government to force sovereign independent States to enter into agreements.

NATIONAL FREEDOM DAY

The Senate proceeded to consider the joint resolution (S. J. Res. 37) requesting the President to proclaim February 1 as National Freedom Day, which had been reported from the Committee on the Judiciary with amendments.

The first amendment was, on page 1, line 3, after the word "authorized", to strike out "and requested."

The amendment was agreed to.

Mr. RUSSELL. Let the joint resolution go over.

The ACTING PRESIDENT pro tempore. The joint resolution will be passed over.

JOINT RESOLUTION PASSED OVER

The joint resolution (S. J. Res. 164) to authorize the Regional Agricultural Credit Corporation of Washington, D. C., to make loans to fur farmers and for other purposes, was announced as next in order.

Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The joint resolution will be passed over.

BILL INDEFINITELY POSTPONED

The bill (S. 1807) to provide for the temporary extension of the Export Control Act and title III of the Second War Powers Act, was announced as next in order.

Mr. TAFT. Mr. President, inasmuch as this matter has been taken care of, I move that the Senate bill be indefinitely postponed.

The motion was agreed to.

BILLS PASSED OVER

The bill (S. 2141) to make the Government-owned alcohol plant at Muscatine, Iowa, available for processing agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes was announced as next in order.

Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 984) to prohibit discrimination in employment because of race, religion, color, national origin, or ancestry was announced as next in order.

Mr. RUSSELL. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 2242) to authorize for a limited period of time the admissions into the United States of certain European displaced persons for permanent residence and for other purposes was announced as next in order.

Mr. WHERRY. Mr. President, this bill is the present unfinished business.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

STAMPS COMMEMORATING ONE HUNDREDTH ANNIVERSARY OF POULTRY BUSINESS

The joint resolution (S. J. Res. 154) authorizing the issuance of a special series of stamps commemorative of the one-hundredth anniversary of the poultry business in the United States, was considered, ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Resolved, etc., That the Postmaster General is authorized and directed to prepare for issuance, on as early a date as practicable during the calendar year 1948, a special series of 3-cent postage stamps, of such design as he shall prescribe, in commemoration of the one-hundredth anniversary of the poultry industry in the United States.

BILLS PASSED OVER

The bill (S. 1989) to provide for the payment of certain Government employees for accumulated annual leave in cases involving transfers to other Government agencies under different leave systems, was announced as next in order.

Mr. WILLIAMS. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 3538) to authorize the Department of Agriculture to investigate and report on project for reclaiming lands by drainage was announced as next in order.

Mr. WHERRY. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 2173) to amend the provisions of the Agricultural Adjustment Act relating to marketing agreement and orders was announced as next in order.

Mr. WHERRY and Mr. GEORGE. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 2326) to repeal the Alaska Railroad Retirement Act of June 29, 1936, as amended, and to extend the benefits of the Civil Service Retirement Act of May 29, 1930, as amended, to officers and employees to whom such act of June 29, 1936, is applicable was announced as next in order.

Mr. WILLIAMS. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

CLASSIFICATION OF PERSONNEL OF FIRE DEPARTMENT OF THE DISTRICT OF COLUMBIA

The Senate proceeded to consider the bill (H. R. 3433) to amend the act entitled "An act to classify the officers and members of the Fire Department of the District of Columbia, and for other purposes," approved June 20, 1906, and for other purposes, which had been reported from the Committee on the District of Columbia with an amendment on page 3, after line 24, to strike out:

Sec. 3. This act shall take effect on July 1, 1948.

And insert:

Sec. 3. This act shall take effect 180 days after funds have been appropriated and made available for the additional personnel necessary to carry out the purposes of this act.

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

BILL PASSED OVER

The bill (S. 580) relating to the administrative jurisdiction of certain public lands in the State of Oregon was announced as next in order.

Mr. LUCAS. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

ADDITIONAL COMPENSATION FOR CERTAIN GOVERNMENT EMPLOYEES AND OFFICIALS

The bill (S. 1949) to provide additional compensation for postmasters and employees of the postal service was announced as next in order.

Mr. TAFT. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

The bill (S. 1537) to increase the rate of compensation of heads and assistant heads of executive departments and of other officers was announced as next in order.

Mr. TAFT. Over.

The ACTING PRESIDENT pro tempore. The bill will be passed over.

Mr. CHAVEZ subsequently said: Mr. President, I should like to inquire of the acting majority leader about Calendar No. 1152 and Calendar No. 1153, Senate bill 1949 and Senate bill 1537. I wonder whether the junior Senator from Nebraska or the senior Senator from Ohio can tell us whether we may expect action on those two bills during the present session.

Mr. WHERRY. If the Senator from New Mexico is addressing his question to me—

Mr. CHAVEZ. Yes; if the acting majority leader can answer the question, I shall be glad to have him do so. My question relates to Calendar No. 1152, Senate bill 1949, providing additional compensation for postmasters and employees of the postal service; and Senate bill 1537, Calendar No. 1153, a bill to increase the rate of compensation of heads and assistant heads of executive departments and of other officers.

Mr. TAFT. Mr. President, the majority policy committee has made a public statement that this bill is considered one of the essential bills to be passed at the present session of Congress. I think I can assure the Senator that it will be brought before the Senate.

Mr. CHAVEZ. I thank the Senator.

ORDER OF BUSINESS

Mr. WHERRY. Mr. President, let me add this observation, however: It will depend a great deal on how much the Senate does on the bill which is the unfinished business. I wish to suggest to Senators, while they are in the Chamber this morning, that the displaced persons bill will come up immediately following the call of the calendar; and after the displaced persons bill is acted upon, it is our intention to have the Senate take up the so-called draft bill. I make this statement so that the Senate may be ad-

PROVIDING FOR MAKING AVAILABLE THE GOVERNMENT-OWNED ALCOHOL PLANTS AT MUSCATINE, IOWA, KANSAS CITY, MO., AND OMAHA, NEBR., FOR THE PRODUCTION OF PRODUCTS FROM AGRICULTURAL COMMODITIES

JUNE 7 (Legislative day, JUNE 1), 1948.—Ordered to be printed

Mr. CAPPER, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany H. R. 6096]

The Committee on Agriculture and Forestry, to whom was referred the bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes, having considered same, report thereon with the recommendation that it do pass without amendment.

This bill (H. R. 6096) was considered by the House Agriculture Committee and on April 6, 1948, the committee reported the bill to the House. A copy of the report (H. Rept. 1659) is attached hereto and made a part of this report.

[H. Rept. No. 1659, 80th Cong., 2d sess.]

The Committee on Agriculture, to whom was referred the bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes, having considered the same, report thereon with a recommendation that it do pass with the following amendments:

On page 2, line 25, strike out the following: "disposal to, or".

On page 3, line 1, strike out the comma following the words "operation by".

On page 3, line 5, strike out the following: "sale,".

GENERAL STATEMENT

During the recent war the Government financed the construction of three war plants for the making of grain alcohol, a much-needed war material. These plants were located at Kansas City, Mo., Omaha, Nebr., and Muscatine, Iowa.

2 MAKING AVAILABLE GOVERNMENT-OWNED ALCOHOL PLANTS

All three plants were operated at a high rate of production during the war and played an important part in providing industrial alcohol for synthetic rubber and other essential war uses.

After the end of hostilities the plants were continued in operation for some time in order to produce industrial alcohol and byproduct feed. Sponsorship of the plants was transferred from the War Production Board to the Department of Agriculture in 1946 and the wartime leases for production of alcohol and feed were continued in effect at all three plants until mid-1947.

In March 1947, however, the Department of Agriculture notified the Reconstruction Finance Corporation that it had no objection to termination of the alcohol-feed leases of the two largest plants—Kansas City and Omaha—but that it wished the lease on the smallest plant—Muscatine—continued.

Accordingly, the wartime leases of the Kansas City and Omaha plants were terminated as of June 1947 and both plants were formally declared surplus in July 1947. The Kansas City plant has been idle since the termination of its lease; the Omaha plant has been operating under an interim lease to its wartime operator; and the Muscatine plant has continued in production under an extension of its wartime lease.

In October 1947 the War Assets Administration advertised for disposal the plants at Kansas City and Omaha. Bids were received from five different sources for the Kansas City plant and from seven different sources for the Omaha plant. Following a hearing on January 16, 1948, the Committee on Agriculture requested the War Assets Administration to defer disposition of these plants until June 30, 1948, and this request was acceded to. The Muscatine plant remains the property of the Reconstruction Finance Corporation and has not been declared surplus.

Following is a brief description of the three plants:

THE KANSAS CITY PLANT

This plant was constructed during 1943 at a cost to the Government of \$4,098,000. During the war it was leased to and operated by the National Distillers Products Corp. It has designed capacity to process 18,500 bushels of grain a day and to produce 15,000,000 gallons of alcohol and 54,000 tons of feed a year. Due to lack of priorities, this plant was constructed partly of used materials and equipment. In 1945 it produced alcohol at a cost of 83.78 cents per gallon. The plant has been idle since June 1947. At least one of the bids received by War Assets Administration for this plant contemplated the dismantling and removal of all or part of its facilities.

In a letter dated April 5, 1946, to the President of the Senate, in response to Senate Resolution No. 176, Seventy-ninth Congress (printed as S. Doc. 167, 79th Cong.), the Secretary of Agriculture makes this statement about the Kansas City plant:

"It would be in the national interest to have this plant remain as a complete unit. Should it not be possible to arrange satisfactory terms of sale the facility might well be held in stand-by condition by the Government as a national-defense measure or used in experimental or surplus-disposal programs."

THE OMAHA PLANT

This is the largest of the three Government-owned alcohol plants. It has designed capacity to consume about 35,000 bushels of grain a day and to produce 22,750,000 gallons of alcohol and 88,764 tons of feed a year. During the war this capacity was considerably exceeded. The cost to the Government was \$6,806,000. This plant also was constructed partly of used and reconditioned materials and equipment, due to lack of priorities, but it is understood that in the past year the lessees have replaced with new machinery much of the used equipment. Throughout its operation the plant has been leased to and operated by the Farm Crops Processing Corp. of Omaha, Nebr. During the war it was the most efficient of the three plants, producing alcohol in 1945 at a cost of 59.95 cents per gallon.

In his report of April 5, 1946, the Secretary of Agriculture said of this plant:

"It would be desirable in the interests of national defense to maintain this plant, one of the largest in the country, as an integral unit either in actual operation or in stand-by condition. It is probable that this plant would play an important part in any program which might be adopted in the future for disposal of surplus crops."

THE MUSCATINE PLANT

This plant was built at a cost of \$2,760,000 and improvements costing about \$700,000 have been added by the lessee. It is the smallest of the three Government-owned plants, with designed capacity to use about 13,000 bushels of grain a day and to produce about 10,200,000 gallons of alcohol and 31,000 tons of feed a year. Its production cost in 1945 was 66.22 cents per gallon. The plant is leased to and operated by the Grain Processing Corp. of Muscatine, Iowa. The plant was able to obtain 100-percent priorities for its construction and is the only one of the three plants constructed entirely from new material and equipment.

In his report of April 5, 1946, the Secretary of Agriculture said of this plant: "This facility has an excellent low-cost performance record, and is well located for alcohol production from grain. The plant, as a complete unit, represents an asset to the Nation either as a defense installation and (sic) as an important instrument in a program of disposal of agricultural surpluses, or both, and should be kept by the Government if present lessees do not exercise their option."

(NOTE.—The latest available performance record, as disclosed by the hearing before the Committee on Agriculture, shows that the cost of alcohol production at the Omaha plant was more than 6 cents per gallon less than at the Muscatine plant.)

DEPARTMENT PROPOSAL

On January 20, 1948, the Secretary of Agriculture transmitted to the Speaker of the House of Representatives a proposed bill authorizing the transfer of the Muscatine plant to the Department of Agriculture, and a letter outlining the reasons for such a transfer. The letter and a supplementary statement transmitted with it are appended hereto and made a part of this report.

COMMITTEE RECOMMENDATIONS

The committee concurs in the request of the Secretary of Agriculture for transfer of the Muscatine plant to the Department of Agriculture. It believes, however, that the reasons advanced for retaining ownership of that plant in the Department apply with equal validity to the Kansas City and Omaha plants.

In using these plants to aid in the handling and disposal of any surplus agriculture products, the three plants combined will be five times as valuable as the Muscatine plant alone for this purpose—for they have a combined grain-processing capacity of about 20,000,000 bushels per year, compared to a capacity of about 4,000,000 bushels for the Muscatine plant.

These three plants have been built at a great cost by the Government. The materials they produced were extremely important during the recent war. In view of the present unsettled world conditions, it appears to the committee that it would be action of the most foolish character to dispose of any of these plants at this time. If we did, there is no assurance that we would not be called upon within the next few months to appropriate new money to build new plants of the same kind.

The supply of gasoline for automobiles and tractors, fuel oil for furnaces and motors, and other petroleum products is uncertain. Almost every day we hear reports that rationing of these products is impending. Alcohol from agricultural products is a known and effective supplement to petroleum motor fuel. It may well be that within a short time we will need all the alcohol that can be produced in all three of these plants to supplement our petroleum fuel supplies.

In his letter to the Speaker, the Secretary emphasizes the matter of research in connection with the proposed transfer of the Muscatine plant. In this the committee is in complete agreement. Research and experimentation in developing industrial and other uses for agricultural commodities is urgently needed and many aspects of it can be carried out in a practical manner only in commercial-sized plants.

In connection with both research and the disposal of any surplus agricultural commodities it is worth noting that the only way the Department can be certain of having a plant for this purpose is by transferring at least one plant in addition to that at Muscatine. The lease contracts on all three plants included the option to buy which was usual in wartime leases. That option has expired in the case of the Kansas City and Omaha plants. The option is still in effect in the case of the Muscatine plant and the operator, by exercising that option, could acquire the plant for its own use, and deprive the Department of control of the plant for research and other purposes.

COMMITTEE BILL

In accordance with the foregoing, the committee suspended action on the bill proposed by the Secretary of Agriculture (H. R. 5398) and reports herewith a new bill (H. R. 6096) which is similar to the Department's bill except that it provides for the transfer to the Department of all three of the Government-owned plants.

JANUARY 20, 1948.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

DEAR MR. SPEAKER: Enclosed for the consideration of the Congress is a proposed bill relating to the utilization of Plancor 1684, located at Muscatine, Iowa, one of the three plants built by the Government during the war to produce industrial alcohol from grain.

The bill, if enacted, would retain ownership of this plant by the Government and would authorize the Department of Agriculture to use it in the conduct of research aimed at widening market outlets for farm products.

Industrial alcohol is a chemical which has many well-established uses throughout the United States. Prior to World War II the production of industrial alcohol in this country averaged annually around 100,000,000 gallons (190 proof). This was derived principally from blackstrap molasses, a byproduct of sugar processing. Grains represented the raw material for less than 10 percent of the production in most years.

Toward the end of 1942 decision was reached to use grain as a base for major alcohol production for war purposes. In October of that year the entire distilled spirits industry was taken off beverage production and set to making industrial alcohol insofar as equipment and facilities would permit. Some 59 plants were expanded or modified for this purpose, largely financed by the Government. Three new plants were constructed by the Government with funds made available through the Reconstruction Finance Corporation. One of these plants, Plancor 1684, is dealt with in the proposed legislation.

As a result of the various constructions and conversions, wartime production of industrial alcohol was increased to more than five times the level which had prevailed prior to 1939. Most of this increase came from the utilization of grain as a base for the manufacture. Output from this source was increased more than 50 times over what it had been. The three Government-built grain plants alone had capacity to produce the equivalent of one-half the former peacetime use of industrial alcohol. "Cost-plus" contracts, grain allocations, and numerous other measures were used to assure maximum operations. Production of synthetic industrial alcohol, made principally from petroleum refinery waste gas, also was increased.

In the utilization of industrial alcohol the major wartime development was the tremendous expansion in the field of synthetic rubber. At the end of the war more than half of the total supply of industrial alcohol was being used for that purpose. So great was the demand for material in that field and so high was its priority that there was little opportunity to consider peacetime problems relating to alcohol.

With the object of increasing industrial use of farm materials the Department of Agriculture has for years been endeavoring to find the best methods of producing alcohol and related products, including byproduct feeds, and to determine accurately the costs. While pertinent data in the files of RFC and the former OPA are mostly available to us, they are based upon war conditions and cost-plus contracts and probably do not represent peacetime possibilities. The figures derived from pilot-plant operations at the Northern Research Laboratory, Peoria, Ill., although highly valuable often are not translatable to commercial operation without large-scale trial and demonstration. To develop new means of utilizing substantial quantities of farm commodities, as for example in alcohol motor fuel, it is considered essential to have use of a controlled plant operating on a large and strictly commercial scale such as would be afforded by Plancor 1684.

Today much proper concern is being expressed over our rapidly diminishing reserves of petroleum. Active search is being made for synthetic liquid fuels to supplement these diminishing reserves, and large sums have been appropriated by the Congress in furtherance of this work. Yet, in farm-produced carbohydrates there already exists a vast source of liquid fuel which only lacks development. Such a development could be strongly implemented by the close integration and correlation of the research testing laboratories, alcohol pilot plant, and a large-scale production unit within the United States Department of Agriculture,

where the required technical and legal personnel would be available. The advantages of having such an undertaking centered in a single organization will be at once apparent. A liaison already exists with the petroleum industry which might be extended to embrace such a development.

Should the Muscatine plant be made available to the Department its use would not be confined to work upon alcohol. The plant has excellent possibilities in many fields of agricultural chemical technology, and we would expect to explore all of them. I need only mention the problem of agricultural surpluses to emphasize the significance which favorable developments along these lines could have to the entire Nation. They might also be of great importance in relation to the national defense.

Attached to the proposed bill is a statement explaining in some detail how Plancor 1684 would be used in relation to existing facilities of the Department.

We recommend that the proposed legislation be enacted.

The Bureau of the Budget advises that it has no objection to the submission of this proposed legislation.

Sincerely yours,

_____, *Secretary.*

PROPOSED UTILIZATION OF ALCOHOL PLANT AT MUSCATINE, IOWA, PLANCOR 1684, IN THE EVENT OF TRANSFER TO THE UNITED STATES DEPARTMENT OF AGRICULTURE

The Bureau of Agricultural and Industrial Chemistry has been endeavoring for years to find the best methods of producing alcohol and to determine accurately the cost of producing industrial alcohol and other products from farm commodities as a first essential to their increased use by industry. Pertinent data now in the files of OPA, while available to us, are based on war conditions and cost-plus contracts and are not representative of peacetime possibilities. Control by the Department of Agriculture of at least one of the Government-owned grain-processing plants located in the Middle West would afford a means of ascertaining the costs and technical data under control conditions. While production costs in the alcohol industry vary from plant to plant because of location, diverse labor conditions, size, operation methods, etc., the cost data established at the Government plants will serve as an economic base or yardstick because the size, design, effectiveness of operation, labor situation, etc., are considered representative of the industry.

The Northern Regional Research Laboratory at Peoria, Ill., already has a small alcohol pilot plant, equipped for technological research on industrial processing problems relating to fermentation procedures. Certain of the required detailed information on processing costs and new operation methods may be established in this pilot plant. If sufficient operating funds were available, complete over-all operation studies might also be made in the pilot plant up to a production scale of 500 gallons per day. However, pilot-plant operations of this volume are usually not adaptable to commercial operation without adequate trial. Furthermore, the total possible production from this pilot plant is relatively small. The Muscatine plant, for instance, if operated by a cooperative lessee, would not need to be bound by certain restrictions affecting the Northern Regional Laboratory plant, and could serve as an actual full-scale trial ground on commercial basis, utilizing technological research developments from the present small plant.

Use of a controlled plant operating on a full-size commercial scale is essential for establishing accurate basic production costs and technical information for the development of new means of utilization of farm commodities, such as for motor fuel, for example. Congress has provided \$30,000,000 for research to develop synthetic liquid fuels to supplement our diminishing petroleum reserves. A liquid fuel source, alcohol, derived from agricultural raw materials, already exists and only lacks commercial development.

The subject of alcohol motor fuel is now being actively investigated at the Northern Regional Research Laboratory, where fuel- and engine-testing laboratories are installed. An arrangement whereby a close coordination and correlation of research testing laboratories, alcohol pilot plant, and large-scale production unit directed by a single organization, such as the United States Department of Agriculture, with competent personnel, would provide an effective basis for commercial implementation of progress made in technical research. A liaison already exists with the petroleum industry covering the development and use of synthetic liquid fuels derived from coal which should be extended to embrace the development of liquid fuels from agricultural raw materials.

The developing of new methods for the use of farm raw materials for the production of such industrial commodities as alcohol entails consideration of a combination of economic and technical factors, and also frequently requires entry into presently uneconomical fields. For these reasons, it cannot be expected that private industry will have the organization or the desire to undertake full-scale development of such uses from agricultural products.

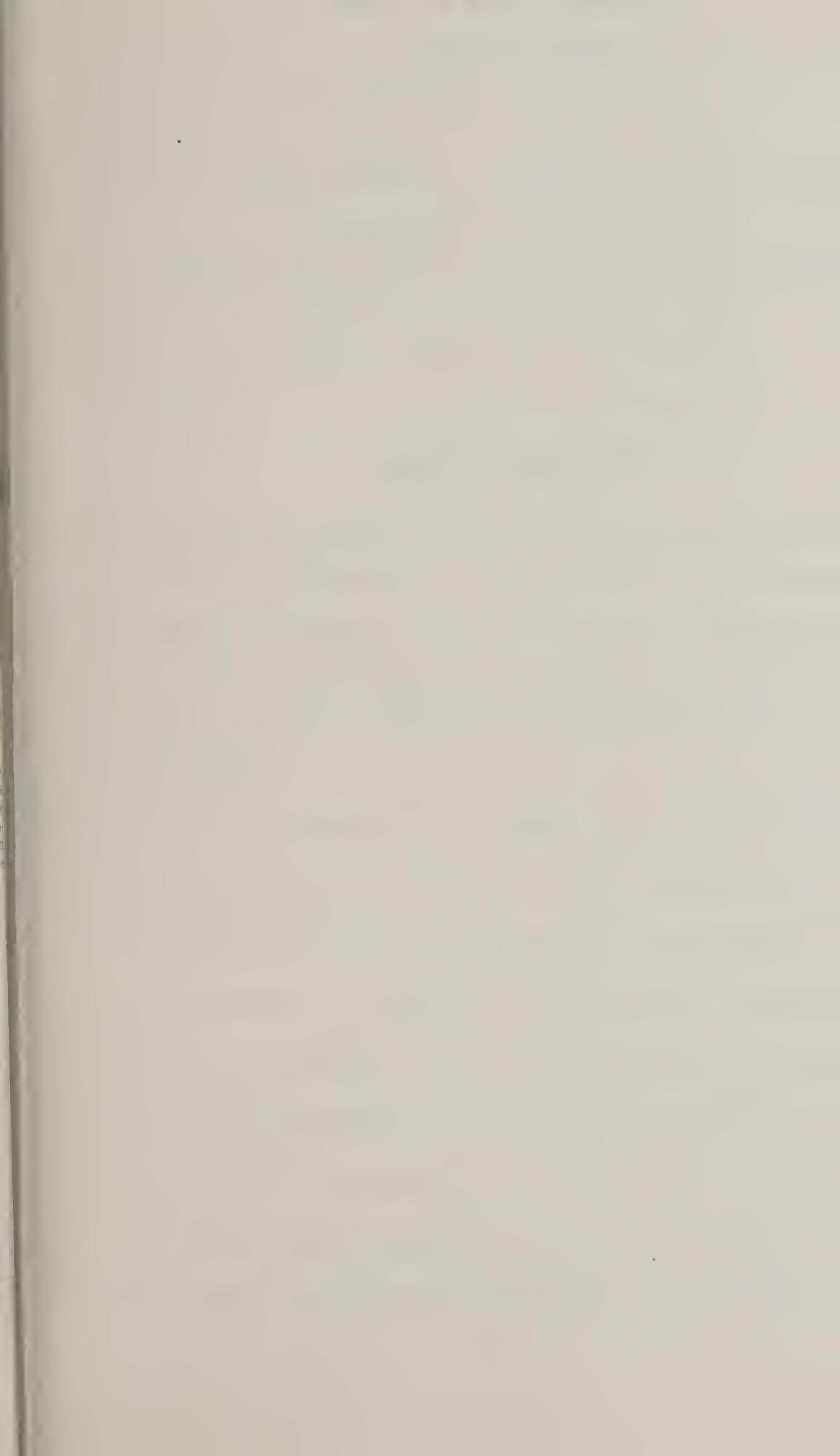
The industrial utilization of farm surpluses is limited on one hand by the relatively high cost of the raw material, and on the other hand by the necessity of selling the manufactured products in competition with those produced from cheaper or often better raw materials. Finally, increased attention must be given to balancing agricultural production and consumption through programs of surplus diversion into uses other than food and feed. Government control of the Muscatine plant would permit its use for developing outlets for crop surpluses. It would also make possible the demonstration of methods for utilization of soft corn and other off-grade grains which cannot be used efficiently in normal channels and which tend to depress market prices.

The nature and scope of the problems involved demand coordinated action for which the proper incentives and adequate facilities can be expected only from the Government. Therefore, this field of activity is preeminently one in which the Government should pioneer. Past attempts by the Department to solve such problems have been stymied because of lack of plant facilities to implement results of our research laboratories. The utilization of existing Government-owned commercial facilities to supplement the present laboratory and pilot-plant facilities will provide the needed means of attacking these problems on a scale sufficient to meet the requirements of industry.

The Muscatine plant has unusual possibilities for use in many fields of agricultural chemical technology, and is not limited to industrial alcohol production. If this plant were to be taken over by the Department, the Bureau of Agricultural and Industrial Chemistry, under proper authorization, would endeavor to use it through the lessee (a) to definitely establish the costs of producing alcohol for motor fuel or other use on a commercial scale, and the costs of recovering related byproducts, under wide variations in operational conditions and kinds and types of raw materials; and (b) as an industrial trial operation or demonstration plant to translate laboratory and pilot plant findings on new fermentation or correlated process developed through research to large-scale commercial utilization.

These facilities would not only be available for use by other agencies of the Department in connection with the disposal of surplus crops and inferior grades of grain, potatoes, and other farm commodities, but would also serve as a base unit in developing and promoting market research programs. Under Government ownership, accurate and complete records of production and distribution costs can be kept and made available to the entire industry. This should stimulate the fuller utilization of farm commodities for industrial purposes.





Calendar No. 1557

80TH CONGRESS
2D SESSION

H. R. 6096

[Report No. 1518]

IN THE SENATE OF THE UNITED STATES

MAY 27 (legislative day, MAY 20), 1948

Read twice and referred to the Committee on Agriculture and Forestry

JUNE 7 (legislative day, JUNE 1), 1948

Reported by Mr. CAPPER, without amendment

AN ACT

To provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That for the purpose of assuring their operation for the
4 production of products from agricultural commodities in
5 order to provide a means of discharging the responsibility
6 of the Department of Agriculture in connection with surplus
7 agricultural commodities, research, and other authorized
8 activities, and to assist in providing an adequate supply of
9 alcohol and other products produced from agricultural com-

1 commodities necessary for the national defense, (1) the Recon-
2 struction Finance Corporation, as successor to Defense Plant
3 Corporation, shall transfer, without regard to the provisions
4 of the Surplus Property Act of 1944 and without reimburse-
5 ment or transfer of funds, to the Secretary of Agriculture all
6 of its right, title, and interest in and to the alcohol plant
7 established and constructed by Defense Plant Corporation
8 at Muscatine, Iowa, the property, together with the equip-
9 ment, records, facilities, and other property appurtenant
10 thereto; and (2) the War Assets Administration shall trans-
11 fer to the Secretary of Agriculture without regard to the
12 provisions of the Surplus Property Act of 1944 and without
13 reimbursement or transfer of funds the alcohol plants at
14 Kansas City, Missouri, and Omaha, Nebraska, together with
15 the land, equipment, facilities, and other property appur-
16 tenant thereto.

17 SEC. 2. In carrying out the purposes of this Act the
18 Secretary is authorized, upon such terms and conditions as
19 he deems reasonable, and notwithstanding the provisions
20 of any other law—

21 (a) to provide for the operation of such plants by
22 lease or other arrangement;

23 (b) to operate such plants, where operation by
24 others will not, in the judgment of the Secretary, accom-
25 plish the purpose of this Act.

1 Such plants may be operated in the furtherance of any
2 authorized activities of the Department of Agriculture, and
3 any lease, or other arrangement may be upon such terms
4 and conditions as to result in the plant being operated for
5 such purposes.

6 SEC. 3. Whenever the Secretary finds that the operation
7 of any plant or plants as provided in this Act is no longer
8 necessary or desirable, he shall report such fact to Congress
9 with his recommendations for the disposition thereof.

10 SEC. 4. For the purposes of this Act, the Secretary of
11 Agriculture is authorized (a) to construct and provide addi-
12 tional facilities and equipment necessary to the operation of
13 such plants, and to maintain, repair, and alter such plants;
14 (b) to acquire property or rights or interest therein by
15 purchase, lease, gift, transfer, condemnation, or otherwise;
16 (c) to incur necessary administrative expenses, including
17 personal services; and (d) to make such rules and regula-
18 tions as may be necessary to carry out the purposes of this
19 Act.

20 SEC. 5. The Secretary of Agriculture shall assume all
21 obligations of the Reconstruction Finance Corporation cover-
22 ing operations of the Muscatine, Iowa, plant, equipment,
23 facilities, and appurtenant property outstanding at the date
24 of transfer.

25 SEC. 6. There are hereby authorized to be appropriated

1 for the purposes of this Act such sums as the Congress may
2 from time to time determine to be necessary. Also, the
3 Secretary is authorized to use such sums from other appro-
4 priations or funds available to the bureaus, corporations, or
5 agencies of the Department of Agriculture as he may deem
6 necessary for expenses in connection with maintaining these
7 plants in stand-by condition while not under lease.

Passed the House of Representatives May 26, 1948.

Attest:

JOHN ANDREWS,

Clerk.

80TH CONGRESS
2^D SESSION

H. R. 6096

[Report No. 1518]

AN ACT

To provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

MAY 27 (legislative day, MAY 20), 1948

Read twice and referred to the Committee on
Agriculture and Forestry

JUNE 7 (legislative day, JUNE 1), 1948

Reported without amendment

H. R. 6096

IN THE SENATE OF THE UNITED STATES

JUNE 7 (legislative day, JUNE 1), 1948

Ordered to lie on the table and to be printed

AMENDMENT

Intended to be proposed by Mr. WILSON to the bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes, viz: On page 3, line 23, strike out all of section 5 and insert in lieu thereof the following:

1 SEC. 5. The Secretary of Agriculture shall succeed to
2 all the rights, powers, and privileges of the Reconstruction
3 Finance Corporation as successor to Defense Plant Corpora-
4 tion contained in any written agreement respecting the
5 Muscatine, Iowa, plant; and he shall exercise the power
6 granted by this Act subject to, and in conformity with, all
7 obligations of the Reconstruction Finance Corporation as
8 successor to Defense Plant Corporation, contained in any
9 said agreement.

AMENDMENT

Intended to be proposed by Mr. WILSON to the bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

JUNE 7 (legislative day, JUNE 1), 1948

Ordered to lie on the table and to be printed

"Under the committee recommendation personal property will be disposed of in the following order: 1. Transfers to Government agencies. 2. Disposals to veterans. 3. Disposals to States and political subdivisions and instrumentalities thereof. 4. Disposals to small business. Real property not under section 13 of the Surplus Property Act will be disposed of as follows: 1. Transfers to Government agencies. 2. Disposals to veterans. 3. Disposals to States and political subdivisions and instrumentalities thereof. 4. Disposals to former owners. 5. Disposals to small business.

"Public Law No. 616 relating to Reconstruction Finance Corporation, and passed by this session of Congress, eliminated provisions of section 18 (e) of the Surplus Property Act, as amended. In the consideration of this legislation, the committee is of the opinion that the objection was not to the priority granted small business but it appeared desirable to relieve the Reconstruction Finance Corporation of its responsibility to administer same.

"A proviso in the bill requires the War Assets Administrator to reestablish this priority so that it follows States and local governments insofar as both real and personal property are concerned. It is to be noted that with respect to real property the priority of small business follows that of former owners.

"A proviso has also been added which would authorize the Administrator of War Assets Administration to eliminate priorities and preferences on personal property when the cost to Government is excessive as related to estimated benefit to priority and preference claimants.

"Much discussion has been had relative to the advisability of the elimination of priorities and preferences for personal property. Testimony has been given as to the substantial money savings which the Government might derive from a surplus-property operation free and clear of priorities for personal property and also as to the increasingly diminishing value of these priorities to the beneficiaries thereof, especially as related to the expense which their existence causes the Government.

"It is the opinion of the committee that those priorities and preferences should not be entirely eliminated at this time. There may remain some advantage to the beneficiaries of them from the war surplus still undisposed of, especially if suitably extended. The committee believes that the same monetary advantages may well be accomplished through retention of those priorities provided the Administrator of the War Assets Administration is given authority to eliminate them when the economies of a given situation demand it. The committee further believes that if the Administrator... is given discretion in suitable cases to make disposals of surplus personal property, without regard to priorities, as provided in the recommended language, the most damaging cost aspects of the priority system can be alleviated without material damage to the interests of priority claimants."

Agreed to an amendment (in addition to the committee amendments), by Sen. Barkley, to add \$450,000 for administrative expenses of REA (p. 8962).

Sens. Reed, Bridges, Brooks, Cordon, Green, Russell, and McKellar were appointed conferees (p. 8963). Reps. Wigglesworth, Phillips, Robertson, Coudert, Hendricks, Andrews, and Thomas were appointed House conferees (p. 9073).

4. ALCOHOL PLANTS. Passed without amendment H. R. 6096, to transfer to this Department the alcohol plants at Muscatine, Kansas City, and Omaha (p. 8903). This bill will now be sent to the President.
5. FOREST LAND. Passed without amendment H. R. 5861, to transfer a tract of forest land to Okla. (p. 8908). This bill will now be sent to the President.
6. CIVIL-SERVICE RETIREMENT. Passed without amendment H. R. 6454, to provide

annuities for Federal employees who are primarily engaged in the investigation, apprehension, or detention of persons suspected or convicted of offenses against the U. S. criminal laws, who is at least 50 and has had 25 years of service (p. 8910). This bill will now be sent to the President.

Passed without amendment H. R. 6641, to provide annuities for certain surviving spouses of annuitants retired before Apr. 1, 1948 (p. 8913). This bill will now be sent to the President.

7. VETERANS' LOANS. Passed as reported S. 2790, to amend the Servicemen's Readjustment Act so as to provide a secondary market for GI loans (pp. 8918-9).
8. PERSONNEL. Passed without amendment H. R. 4917, which provides that, if a veteran lost opportunity for appointment in the Federal civil service because of military service and becomes physically disqualified for the position for which he was examined by reason of a disability incurred in the military service, he may have his name entered upon any list of eligibles for which a like examination is required (p. 8912). This bill will now be sent to the President.
9. ASSISTANT SECRETARIES. Passed without amendment H. R. 6822, to continue the authorization for two additional Assistant Secretaries of State (pp. 8912-13). This bill will now be sent to the President.
10. DISASTER RELIEF. Passed as reported S. 2831, to authorize the Secretary of Defense to coordinate the emergency disaster relief of Federal agencies (pp. 8932-3).
11. REMOUNT SERVICE. Passed S. 2698, to authorize transfer of certain Army horses to the New Mexico Military Institute, except those used in the Remount Service (p. D677).
12. SELECTIVE SERVICE. Debated a motion by Sen. Gurney that conferees be appointed on S. 2655, the selective-service bill (pp. 8920-7, 8963-81, 9109-36).
13. APPROPRIATIONS. Received the following appropriation estimates from the President (pp. 8947-8); to Appropriations Committee.
Flood-damage loans, USDA, \$6,000,000. (S. Doc. 186.)
Rural-housing program under pending housing bill, \$3,500,000 appropriation and \$25,000,000 loan authorization. (S. Doc. 187.)
14. INFLATION. Sen. O'Mahoney spoke in favor of anti-inflation legislation and said this would help to make possible economy in Government expenditures (pp. 8916-8).
15. BILLS PASSED OVER, during call of the calendar, included:
 S. 784, providing maternity leave for Government employees (pp. 8903-4).
 S. J. Res. 162, restricting authority for establishment of Indian reservations in Alaska (pp. 8927-8).
 S. 2754, the property-management bill (p. 8927).
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16. FARM PROGRAM. Reps. Hope, Andresen, Johnson, Murray, Flannagan, Cooley, and Pace were appointed conferees on H. R. 6243, the farm-program bill (p. 8990).
17. COMMODITY CREDIT CORPORATION. Passed, 107-13, S. 1322, to provide a Federal charter for CCC, with the language of H. R. 6263 substituted (pp. 9015-22).

The Defense Homes Corporation, as most Senators know, is presently in the process of liquidation, and to dispose by conveyance of this property will not only be of assistance to Howard University but will hasten the liquidation of the Defense Homes Corporation.

Mr. REVERCOMB. Mr. President, will the Senator yield?

Mr. CAIN. I yield.

Mr. REVERCOMB. Do I correctly understand that this particular bill covers all temporary housing wherever it may be on the campuses of the colleges?

Mr. CAIN. On the campuses of the colleges on land owned and leased by American educational institutions.

Mr. REVERCOMB. In other words, this bill relates to temporary buildings which will have to be removed by a certain date in 1949, unless the action proposed by the bill is taken.

Mr. CAIN. Yes; unless the action proposed by the bill is taken.

Mr. REVERCOMB. As a matter of fact, many of the buildings involved are of a temporary construction, and it would cost the Government more to move them than it would to leave them where they are.

Mr. CAIN. I may say to the Senator from West Virginia that if this property is conveyed to American educational institutions the institutions will assume the burden of maintenance and repair, and the Senator from West Virginia is conclusively correct when he understands that a great deal of money will be spent by the Federal Government for the maintenance of the property.

Mr. CAPEHART. Mr. President, will the Senator yield?

Mr. CAIN. I yield.

Mr. CAPEHART. As a member of the Committee on Banking and Currency I wish to join with the Senator from Washington in recommending the passage of the bill.

Mr. WATKINS. Mr. President, will the Senator yield?

Mr. CAIN. I yield.

Mr. WATKINS. It is a fact also that there will be need for this housing next year as well as this year.

Mr. CAIN. There is a very pressing need for the property in question at the present time, and the American universities can quite properly continue to have a fine use for the property for several years in the future.

Mr. WATKINS. Does this apply to private schools as well as public schools such as State universities where these buildings have been placed?

Mr. CAIN. It so happens, I have been informed, that the buildings in question are only situated on the property of public institutions.

The PRESIDENT pro tempore. The time of the Senator from Washington has expired.

Mr. AIKEN. Mr. President, on the last call of the calendar I asked that the bill go over. In the meantime I have had a careful examination made of the bill and its effects. I find that it will not conflict or interfere with other pending legislation on the calendar, and that adoption of the bill would have a beneficial effect.

The PRESIDENT pro tempore. Does the Senator from Washington wish to offer amendments to the bill?

Mr. CAIN. An amendment was previously offered. I have a copy of the amendment, and ask that it be considered.

The PRESIDENT pro tempore. The Senator from Washington offers an amendment to House bill 5710.

Mr. BARKLEY. Mr. President, will the Senator yield?

Mr. CAIN. I yield.

Mr. BARKLEY. Is this amendment represented by Calendar No. 1546, Senate bill 2076?

Mr. CAIN. It is Senate bill 2076. The amendment in fact I may say to the Senator from Kentucky is Senate bill 2076.

Mr. BARKLEY. Yes. It is offered as an amendment just as it was reported from the committee and is on the calendar?

Mr. CAIN. Word for word.

The PRESIDENT pro tempore. Under those circumstances, without objection, the amendment will be printed in the RECORD at this point and the reading of it will be waived.

The amendment is as follows:

SEC. 5. The Defense Homes Corporation is authorized to convey, without reimbursement therefor, to Howard University, a corporation organized pursuant to an act of Congress, all of its right, title, and interest in certain lands in the District of Columbia, together with the improvements constructed thereon and the personal property used in connection therewith, and commonly known as Lucy Diggs Slowe Hall, 1919 Third Street Northwest, and George Washington Carver Hall, 211 Elm Street Northwest: *Provided*, That no employee of the United States or of the District of Columbia who, on the date of approval of this act, is a tenant of either Lucy Diggs Slowe Hall or George Washington Carver Hall shall, unless quarters were assigned to such tenant on a transient basis or on the sole basis that the tenant was enrolled at an educational institution, be evicted from such halls within 4 years after the approval of this act, except where such tenant commits a nuisance or otherwise violates any obligation of tenancy.

The Reconstruction Finance Corporation is hereby authorized and directed to discharge the indebtedness of the Defense Homes Corporation to the Reconstruction Finance Corporation in an amount equal to the Defense Homes Corporation's net investment in these properties as of the date of transfer, as determined by the President of the Defense Homes Corporation, and the Secretary of the Treasury is authorized and directed to discharge the indebtedness of the Reconstruction Finance Corporation to the Treasury in like amount as of the same date.

SEC. 6. The right, title, and interest in any lands, together with the improvements constructed thereon, which are conveyed pursuant to the authority granted by section 5 hereof, shall revert to the United States upon a written finding made by the President prior to July 1, 1963, that the property is needed by the United States in connection with a national defense emergency.

The PRESIDENT pro tempore. Without objection, the amendment offered by the Senator from Washington is agreed to.

The question is on the engrossment of the amendment and the third reading of the bill.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill (H. R. 5710) was read the third time and passed.

The PRESIDENT pro tempore. Without objection, Senate bill 2076 will be indefinitely postponed.

Mr. CAIN. I move that the Senate insist upon its amendment, request a conference with the House thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. CAIN, Mr. BUCK, and Mr. FULBRIGHT conferees on the part of the Senate.

The PRESIDENT pro tempore. The clerk will state the next bill on the calendar.

GOVERNMENT-OWNED ALCOHOL PLANTS

The bill (H. R. 6096) to provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Mo., and Omaha, Nebr., for production of products from agricultural commodities was considered, ordered to a third reading, read the third time, and passed.

MATERNITY LEAVE FOR GOVERNMENT EMPLOYEES—BILL PASSED OVER

The bill (S. 784) to provide maternity leave for Government employees was announced as next in order.

Mr. BALL and Mr. WILLIAMS. Over.

Mr. PEPPER. Mr. President, I am not a member of the Committee on Post Offices and Civil Service, but I have noted with great interest and admiration the fight which has been made by the able chairman of that committee [Mr. LANGER] in behalf of the bill to which objection has just been made, to grant maternity leave to women who are Government employees.

It seems to me, Mr. President, that this is a humane measure. Surely the Government of the United States should not lag behind many private enterprises which grant such relief to their women employees.

I do not know what may be in the minds of Senators who objected, but I hope the Senator from North Dakota will find a way to bring this measure to a vote in the Senate. I do not know of anything that is a greater expression of governmental leadership in humane legislation than this bill. I commend the Senator from North Dakota for his fight. I hope he will be able to obtain consideration of the bill and that it will be possible for the Senate as a whole to vote on the measure.

Mr. LANGER. Mr. President, I can assure the distinguished Senator from Florida that when I come back in January this will be the first bill I shall reintroduce.

Mr. WILLIAMS. Mr. President, I am one of the Members of this body who asked that the bill go over. The reason I feel that the bill is not practicable is that under the present law an employee is now granted 26 days annual leave. In addition, he is allowed 15 days sick leave, making a total of 41. This bill proposes to allow 60 days additional leave as maternity leave, making a total of 101 work-

ing days out of each year. The average number of working days a month in the Government service is 20. That means that in a maternity case a Government employee can have 5 months of the year off with pay. I do not feel that it is practicable for any Government agency to operate if it allows 5 months off with pay every time an employee has a child.

The PRESIDENT pro tempore. The bill will be passed over.

AMENDMENT OF TRADING WITH THE ENEMY ACT

The Senate proceeded to consider the bill (H. R. 6116) to amend the Trading With the Enemy Act, which had been reported from the Committee on the Judiciary with amendments, on page 1, line 11, after the word "by", to strike out "July 31" and insert "April 30"; and on page 2, at the beginning of line 3, to strike out "August 9, 1948" and insert "April 30, 1949."

The amendments were agreed to.

The amendments were ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

BILL PASSED OVER

The bill (S. 2279) to extend the benefits of section 1 (c) of the Civil Service Retirement Act of May 29, 1930, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

CONVEYANCE OF LAND TO CHEYENNE, WYO., FOR PARK PURPOSES

The bill (S. 2820) to authorize the Administrator of Veterans' Affairs to convey to the city of Cheyenne, Wyo., for public park and golf course purposes, certain land situated within the boundaries of the Veterans' Administration center at Cheyenne, Wyo., was announced as next in order.

Mr. MILLIKIN. Mr. President, there is before the Committee on Finance House bill 5734, which is the same as Senate bill 2820, Calendar 1691. I move that the Senate Committee on Finance be discharged from the further consideration of House bill 5734, and that the Senate immediately proceed to consider the House bill.

The PRESIDENT pro tempore. Without objection, the Senate Finance Committee is discharged from the further consideration of House bill 5734, a bill to authorize the Administrator of Veterans' Affairs to convey to the city of Cheyenne, Wyo., for public-park and golf-course purposes, certain land situated within the boundaries of the Veterans' Administration center at Cheyenne, Wyo.

Is there objection to the present consideration of the House bill?

There being no objection, the Senate proceeded to consider the bill.

Mr. MILLIKIN. I understand that Senator from Oregon [Mr. MORSE] has an amendment to offer.

Mr. MORSE. Mr. President, I offer the amendment which I send 'o the desk and ask to have stated.

The PRESIDENT pro tempore. The amendment offered by the Senator from Oregon will be stated.

The CHIEF CLERK. At the proper place in the bill, it is proposed to insert the following: "Provided, That the city of Cheyenne shall pay 50 percent of the appraised value of the property, to be determined by the Veterans' Administration."

Mr. ROBERTSON of Wyoming. Mr. President, I realize that time does not permit us to oppose this amendment. What the amendment does is to call upon the city of Cheyenne to pay 50 percent of the appraised value of this land, which the city of Cheyenne originally gave without cost to the Veterans' Administration. The Veterans' Administration is unable to utilize or improve the land, and the city of Cheyenne has agreed to make improvements by making a park around the veterans' hospital in Cheyenne, or on the outskirts of Cheyenne.

It seems hard on the city that it should have to pay for land which it is going to improve for the benefit of the veterans. However, it is impossible to get this bill through without accepting the amendment, so I will accept the amendment.

Mr. MILLIKIN. Mr. President, it is with reluctance that I have decided not to object to the amendment. It is apparent that it is an amendment which the distinguished junior Senator from Wyoming would prefer not to accept, but which he feels impelled to accept under the circumstances. Let me say that we are establishing no precedent so far as the Senate Committee on Finance is concerned, and at the first opportunity for debate on the subject, there will be plenty of it.

The PRESIDENT pro tempore. The question is on agreeing to the amendment offered by the Senator from Oregon [Mr. MORSE].

The amendment was agreed to.

The amendment was ordered to be engrossed and the bill to be read a third time.

The bill was read the third time and passed.

The PRESIDENT pro tempore. Without objection, Senate bill 2820 will be indefinitely postponed.

BILLS PASSED OVER

The bill (H. R. 6759) to provide additional revenue for the District of Columbia was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

Mr. CAIN. Mr. President, I give notice of my intention to move to bring this bill up at the earliest possible moment.

The bill (S. 1333) to amend the Communications Act of 1934, as amended, and for other purposes, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

The bill (H. R. 3934) to amend the Public Health Service Act with respect to venereal disease rapid treatment centers, and for other purposes, was announced as next in order.

SEVERAL SENATORS. Over.

The PRESIDENT pro tempore. The bill will be passed over.

DEPORTATION PROCEDURES—BILL PASSED OVER

The bill (S. 2755) to amend the act of June 11, 1946, as amended, was announced as next in order.

Mr. TAYLOR. Over.

Mr. REVERCOMB. Mr. President, will the Senator who objected withhold his objection temporarily so that an explanation may be made?

Mr. TAYLOR. I am glad to do so.

Mr. REVERCOMB. Mr. President, this is an immigration bill, under the general immigration and naturalization laws. It has been indicated that in dealing with cases for deportation there may be some question about the proper procedure under the Administrative Procedures Act. The purpose of this bill is to permit the Immigration and Naturalization Service to have its own employees conduct the first hearing and make recommendations in deportation cases, rather than have the cases held up for the full process under the Administrative Procedures Act. Unless this bill is passed several thousand cases will be held up for hearing, and no action can be taken on them. The purpose of the bill is simply to expedite the hearing. I do not think it has any other effect.

Mr. President, I have made the explanation. If the Senator wishes to persist in his objection, I cannot stop him.

The PRESIDENT pro tempore. Is there objection to the present consideration of Senate bill 2755?

Mr. TAYLOR. I object.

The PRESIDENT pro tempore. The bill will be passed over.

BILL PASSED OVER

The bill (S. 1988) to confirm and establish the titles of the States to lands and resources in and beneath navigable waters within State boundaries and to provide for the use and control of said lands and resources was announced as next in order.

Mr. DONNELL. Let the bill go over.

The PRESIDENT pro tempore. The bill will be passed over.

CONVEYANCE OF LANDS IN PARK COUNTY, WYO.—BILL PASSED OVER

The bill (S. 1821) authorizing the conveyance of certain lands in Park County, Wyo., to the State of Wyoming was announced as next in order.

Mr. TAYLOR. Let the bill go over.

Mr. ROBERTSON of Wyoming. Mr. President, if the Senator will withhold his objection for a moment, I should like to make an explanation of the bill.

The PRESIDENT pro tempore. Does the Senator from Idaho withhold his objection for that purpose?

Mr. TAYLOR. I do.

Mr. ROBERTSON of Wyoming. Mr. President, I explained this bill at the previous call of the calendar, at which time the distinguished Senator from Oregon asked to have an opportunity to consider the bill. He has since examined it, and has now removed any objection that he had to it.

This bill provides for a conveyance of 80 acres of land in section 36, township 58 north, range 100 west, from the United States of America to the State of Wyoming. Section 36 is one of the school sec-

[PUBLIC LAW 890—80TH CONGRESS]

[CHAPTER 818—2D SESSION]

[H. R. 6096]

AN ACT

To provide for making available the Government-owned alcohol plants at Muscatine, Iowa, Kansas City, Missouri, and Omaha, Nebraska, for the production of products from agricultural commodities in the furtherance of authorized programs of the Department of Agriculture, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purpose of assuring their operation for the production of products from agricultural commodities in order to provide a means of discharging the responsibility of the Department of Agriculture in connection with surplus agricultural commodities, research, and other authorized activities, and to assist in providing an adequate supply of alcohol and other products produced from agricultural commodities necessary for the national defense, (1) the Reconstruction Finance Corporation, as successor to Defense Plant Corporation, shall transfer, without regard to the provisions of the Surplus Property Act of 1944 and without reimbursement or transfer of funds, to the Secretary of Agriculture all of its right, title, and interest in and to the alcohol plant established and constructed by Defense Plant Corporation at Muscatine, Iowa, the property, together with the equipment, records, facilities, and other property appurtenant thereto; and (2) the War Assets Administration shall transfer to the Secretary of Agriculture without regard to the provisions of the Surplus Property Act of 1944 and without reimbursement or transfer of funds the alcohol plants at Kansas City, Missouri, and Omaha, Nebraska, together with the land, equipment, facilities, and other property appurtenant thereto.

SEC. 2. In carrying out the purposes of this Act the Secretary is authorized, upon such terms and conditions as he deems reasonable, and notwithstanding the provisions of any other law—

(a) to provide for the operation of such plants by lease or other arrangement;

(b) to operate such plants, where operation by others will not, in the judgment of the Secretary, accomplish the purpose of this Act.

Such plants may be operated in the furtherance of any authorized activities of the Department of Agriculture, and any lease, or other arrangement may be upon such terms and conditions as to result in the plant being operated for such purposes.

SEC. 3. Whenever the Secretary finds that the operation of any plant or plants as provided in this Act is no longer necessary or desirable, he shall report such fact to Congress with his recommendations for the disposition thereof.

SEC. 4. For the purposes of this Act, the Secretary of Agriculture is authorized (a) to construct and provide additional facilities and equipment necessary to the operation of such plants, and to maintain,

repair, and alter such plants; (b) to acquire property or rights or interest therein by purchase, lease, gift, transfer, condemnation, or otherwise; (c) to incur necessary administrative expenses, including personal services; and (d) to make such rules and regulations as may be necessary to carry out the purposes of this Act.

SEC. 5. The Secretary of Agriculture shall assume all obligations of the Reconstruction Finance Corporation covering operations of the Muscatine, Iowa, plant, equipment, facilities, and appurtenant property outstanding at the date of transfer.

SEC. 6. There are hereby authorized to be appropriated for the purposes of this Act such sums as the Congress may from time to time determine to be necessary. Also, the Secretary is authorized to use such sums from other appropriations or funds available to the bureaus, corporations, or agencies of the Department of Agriculture as he may deem necessary for expenses in connection with maintaining these plants in standby condition while not under lease.

Approved July 2, 1948.

